OVERSIGHT HEARING ON GRADE REDUCTIONS FOR VA EMPLOYEES

HEARING

BEFORE THE

SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

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OVERSIGHT HEARING ON GRADE REDUCTIONS OF VA EMPLOYEES

WEDNESDAY, APRIL 24, 1985

House of Representatives,
Subcommittee on Oversight and Investigations,
Committee on Veterans' Affairs,
Washington, DC.

The subcommittee met, pursuant to notice, at 8:30 a.m., in room 334, Cannon House Office Building, Hon. J. Roy Rowland (acting chairman of the subcommittee) presiding.

Present: Representatives Rowland of Georgia, Penny, Sundquist, Johnson, and Ridge.

OPENING STATEMENT OF HON. J. ROY ROWLAND

Dr. **Rowland** of Georgia. Good morning. The Subcommittee on Oversight and Investigations will come to order at this time.

We are meeting this morning to take testimony on the impact of the reduction of 2 percent per year over a 5-year period of grades GS-11 through grades GS-15 in the Veterans' Administration.

The chairman of the subcommittee this morning had a conflict and could not be here. I feel honored that he has asked me to sit in for him.

The subcommittee became aware that this reduction was impacting adversely on the VA Medical Program as a result of a questionnaire we sent to VA medical center directors in January of this year. The response to a question on this subject indicated that such a reduction was and will continue to impact adversely on the Department of Medicine and Surgery's ability to deliver quality medical services even after the Administrator had exempted from such a reduction of doctors, dentists, and nurses appointed under title 38 of the United States Code.

This all started as a result of the President's Private Sector Survey on Cost Control, the so-called Grace Commission, comparing salaries at the midmanagement level in five unnamed industries with the comparable levels in the Federal service. The conclusion was that the percentage of Federal workers employed and paid in these grade levels exceeded comparable midmanagement level employees in the private sector.

To bring the Federal work force in line with the private sector, the Grace Commission recommended a 10-percent reduction in the numbers at this level to be applied over a 5-year period.

I do not believe the President's commission gathered data by occupation for any comparison. Of course, for the VA to continue to provide quality medical care, it must be competitive with the private health industry in all occupational categories. This would be especially applicable to those occupational categories having a direct impact on the provision of medical services such as: Doctors, physicians' assistants, dentists, registered nurses, audiologists, food service workers, including dietitians, speech pathologists, physical therapists, occupational therapists, registered pharmacists, social workers, clinical psychologists, chaplains, medical laboratory technologists, and other categories of therapists, to name just a few, all of which have a direct impact on patient care.

I can understand the desire of the Office of Management and Budget and the Office of Personnel Management to reduce where they can in the face of the enormous Federal deficit we are currently experiencing. The Congress is generally supportive in the reduction of this deficit, but not at the expense of providing less than quality medical care to eligible veterans.

Should the hearing confirm that this effort to reduce the number of Federal employees in the VA in grades GS-11 through GS-15 is jeopardizing the provision of services, then we will have to explore avenues open to us to correct the situation.

I know in the Senate a bill has been introduced to prevent the reduction of such Federal employees in the VA to assure the deliverance of quality services. We may have to introduce a similar piece of legislation if we find, as a result of this hearing, that the quality of services is in jeopardy.

We have several witnesses this morning, and after hearing from the VA witnesses, we will take certain groups as panels. The Chair requests that all witness' testimony be as brief as possible and assure each that, without objection, any written testimony will be accepted into the record of this hearing. The Chair will also allow additional written questions and written responses as may be required.

I see that my good friend and colleague, Hon. Nancy Johnson, has just come in. Mrs. Johnson, if you have any opening statement you would like to make, please do so at this time.

Mrs. **JOHNSON**. Thank you very much. I am pleased to be here this morning and welcome the panelists. A number of us, as always, have other committees that will take us away, but I look forward to hearing as much as I can.

Dr. **ROWLAND** of Georgia. Thank you very much.

Our first witness representing the Veterans' Administration is Dr. D. Earl Brown, Associate Deputy Chief Medical Director for Operations. Dr. Brown, thank you for being here this morning.

Before starting your testimony, would you please introduce those people who are with you.

STATEMENT OF D. EARL BROWN, M.D., ASSOCIATE DEPUTY CHIEF MEDICAL DIRECTOR FOR OPERATIONS, DEPARTMENT OF MEDICINE AND SURGERY, VETERANS' ADMINISTRATION, ACCOMPANIED BY MICHAEL RUDD, DIRECTOR, OFFICE OF PERSONNEL AND LABOR RELATIONS; CHARLES V. YARBROUGH, DIRECTOR, MANAGEMENT SUPPORT OFFICE, DEPARTMENT OF MEDICINE AND SURGERY; AND JAMES ADAMS, DEPUTY ASSISTANT GENERAL COUNSEL

Dr. BROWN. Yes, sir, Mr. Chairman.

On my left is Mr. Mike Rudd, the Director of the agency's Office of Personnel and Labor Relations. On my immediate right is Mr. Chuck Yarbrough, the Director of the Management Support Office of the Department of Medicine and Surgery. On my far right is Mr. Jim Adams, the deputy assistant general counsel.

Dr. ROWLAND of Georgia. Thank you, Dr. Brown. You may proceed as you see fit.

Dr. BROWN. Thank you, sir.

Mr. Chairman and members of the committee, I welcome this opportunity to discuss with you the impact on the VA of the President's private sector survey on cost control, specifically their recommendation to reduce the number of grade GS-11 through GS-15 positions in the Government.

The grade 11 to 15 reduction program was initiated because reports showed that the proportion of Government employees in grades 11 to 15 increased from 21 percent to 39 percent between 1959 and 1983. The Grace Commission found that the private sector has 50 percent fewer positions at the equivalent GS-11 to 15 grade level than the Federal Government.

A significant share of this grade escalation, specifically 40 percent according to OPM, results from poor management, misclassification/overgrading, and not from more complex programs or more sophisticated technology.

The President's 1985 budget proposed funding reductions for an annual 2-percent reduction for these positions in fiscal year 1985 to 1989. OPM will monitor the average grade and the absolute reduction of grade 11-15 positions.

The grade mix in the VA compares favorably to other Federal agencies and the private sector. The percentage of grade 11-15 and equivalent positions are as follows: the Government-wide average is 39 percent; the private sector average is 26 percent; VA-wide, including title 38, is 28 percent; VA-wide without title 38 is 17-5 percent; DM&S-wide, including title 38 is 27 percent; and DM&S-wide without title 38 is 14.6 percent.

The results of an OPM-conducted analysis of VA grade 11-15 position management data were transmitted to the VA on November 6, 1984. Using only title 5 positions, the VA ranked third best in effective position management out of the 22 largest agencies. Even with the inclusion of title 38 positions, OPM reported VA position management statistics compared very favorably. In their report, OPM recommended that the VA reductions in grade 11-15 be adjusted to 1.5 percent per year.

In fiscal year 1985 the President's budget proposed reductions for this program upon the salaries generated by both title 5 and title

38 grade 11-15 equivalents. However, in recognition of special circumstances for title 38 personnel, the 1986 budget provides that additional reductions in fiscal years 1986 through 1989 will be based upon title 5 positions only. The $5,305,000 payroll cost reductions generated by title 38 grade 11-15 equivalent employees under the medical care appropriation in fiscal year 1985 has been restored to the 1986 budget.

Relief was granted for the title 38 personnel on the basis that maintenance of existing grade and salary levels for many title 38 occupations—physicians, nurses, dentists—represents a minimum requirement to retain employees in these positions. As you know, the Department has been able to recruit and retain health care professionals only through a combination of legislative and administrative initiatives, including bonuses, scholarships, special rate ranges, and premium pay.

To implement this program in the VA in fiscal year 1985, an executive committee was established to plan and oversee this program. The committee is composed of Department heads and other key officials and chaired by the Director of the Office of Personnel and Labor Relations. The committee is charged with assessing the program effectiveness and recommending future directions to the Administrator of Veterans' Affairs. Each organizational unit in the agency was assigned a target of GS-11 to 15 full-time permanent positions to be reached by September 30, 1985. These targets represent a 2-percent reduction in the number of full-time permanent GS 11-15 employees on board as of March 31, 1984, with an adjustment for approved fiscal year 1985 additions. DM&S, in turn, assigned a single reduction goal to each region, to central office, and to the Veterans' Canteen Service. To ensure regional directors have maximum flexibility in meeting their goals, they were directed to assign individual reduction goals to each medical center within their regions. Regional directors can make adjustments, as appropriate, to the facility targets during fiscal year 1985.

The Department must regrade 442 positions from GS-11 to 15 to below GS-11 before September 30, 1985, to achieve its 1985 grade reduction goal to the ceiling of 15,327. Based upon loss rates in the Department in previous years, we can expect 585 title 5 grade 11-15 positions to become vacant during the next 6 months. The Department will achieve these goals through normal personnel turnover. Reorganizations involving reductions in force and downgrading of encumbered positions with the express purpose of achieving reduction goals will not occur.

To meet these reductions, medical center directors will evaluate all vacancies in the GS-11 to 15 range to determine if they can be eliminated or restructured at a lower grade level. They will closely monitor career promotions and they will review organizational structures to determine if work can be accomplished with lower graded employees.

Of our title 5 grade 11-15 employees in DM&S, 68 percent are direct, hands-on health care professionals. Psychologists, social workers, pharmacists, medical technologists, and audiologists are included among these occupations. The remaining 32 percent are largely composed of service chiefs and assistant service chiefs who provide for effective management of our medical centers. The number of grade 11-15 employees who could be hired into lower level administrative positions—such as personnel specialists, supply specialists—is not large enough to absorb the necessary reductions. All DM&S officials are making a concerted effort to ensure that patient care services to veterans continue to be provided effectively and efficiently. We need, however, to reserve judgment on the impact of this program in future years.

Mr. Chairman, this completes my statement. I and my colleagues will be pleased to answer any questions.

[The statement of Dr. D. Earl Brown appears at p. 37.]

Dr. **Rowland** of Georgia. Thank you very much, Dr. Brown.

On page 3 of your statement you indicate the $5.3 million payroll costs for title 38 employees has been restored to the fiscal year 1986 budget but not for fiscal year 1985.

Dr. **Brown**. Yes, sir.

Dr. **Rowland** of Georgia. Have you requested that it be restored for fiscal year 1985, and if so, what has been the response? And if it has not been restored, how will it be applied? This is especially important due to the limited flexibility medical center directors have in the utilization of the funds available to them.

Dr. **Brown**. I think in our negotiations regarding the budget that we made a point of the title 38, but the decision was made not to restore it. We have not submitted another appeal. What we will do is simply cover the $5.3 or $5.7 million through other means, by shifting resources.

Dr. **Rowland** of Georgia. Dr. Brown, again on page 3 of your statement you state the justification for the exemption of physicians, dentists and nurses was based on the fact that existing grade and salary levels are inadequate and recruitment and retention has been through a combination of additional pay such as the bonuses and other fringe benefits.

With this grade reduction of health professionals appointed under title 5, when combined with other efforts to increase the retirement age, reduce salaries by 5 percent, increase retirement contributions by the employees and so forth, what does this leave you regarding competitiveness with the private sector for recruiting physicians' assistants and pharmacists and psychologists and social workers or medical lab technologists, therapists, dieticians, and so forth? Will this not take its toll and be ultimately reflected in an inability to deliver quality medical care?

Dr. **Brown**. Mr. Chairman, certainly it is always difficult—you will hear from our directors and chief of staff when they come to form their panel, that it is always difficult to make reductions. I do think that we can handle what has been allocated for 1985, but I am very concerned about the outyears. I think the outyears may, indeed, have an impact on our ability to retain and recruit physicians and nurses as well, because there is no question but that title 5 professionals impact on the total practice and on those physicians and nurses and dentists as well.

Dr. **Rowland** of Georgia. One other question before I yield.

Has the VA made attempts to be exempt from this grade reduction, and if so, what were the results?

Dr. **Brown**. We did make an appeal regarding the title 5 also, but the results were it was denied.

Dr. Rowland of Georgia. I yield to my colleague, the Honorable Nancy Johnson.

Mrs. Johnson. Thank you very much.

On the first page of your statement you say reports showed that the proportion of Government employees in grades 11 through 15 increased from 21 percent to 39 percent between 1959 and 1983. What was the percentage increase in the VA in those years in those grades?

Dr. Brown. Do you have that, Mike?

Mr. Rudd. I don't believe we have that immediately available. We would have to develop that for the record.

[Subsequently the Veterans' Administration submitted the following information:]

VA records are available only from 1963. They show that as of June 30, 1963, the VA had 9,768 GS 11-15 full-time positions filled; this represented 10.6% of total GS full-time positions filled. As of September 30, 1983, there were 21,193 full-time GS 11-15, equating to 17.3% of the total full-time GS positions.

Mrs. Johnson. Well, on the next page you compare the percentage of those people in grades 11-15 in Governmentwide, private sector, and the VA. Your statistics compare very favorably with the private sector. You also compare very favorably to the public sector.

Have you tried to make a case that perhaps the 2-percent across-the-board figure could have been the figure that the Grace Commission derived from the Governmentwide averages and that it perhaps wasn't applicable to the VA?

Dr. Brown. Mr. Rudd.

Mr. Rudd. When this program was in its conceptual stages I attended, as part of an interagency committee, several meetings at the Office of Management and Budget and at the Office of Personnel Management. I, among the personnel directors of other agencies as well, made repeated requests that the program not be a 2-percent across-the-board reduction but, rather, give credit for agencies that had effective position management programs, which we believe we have in the VA, and also that some consideration be given to those agencies that were in an expanding employment mode, as is the VA.

We were told that our comments would be given consideration, but the program came out in its final form pretty much as it was initially proposed.

Mrs. Johnson. The Grace Commission found that the private sector has 50 percent fewer positions at the equivalent GS 11-15 level than the Federal Government. Does that statement pertain to a comparison between hospitals or similar kinds of organizations to the VA?

Mr. Rudd. To the best of my knowledge, it does not.

Mrs. Johnson. So to the best of your knowledge, this was a very general recommendation by the Grace Commission based on Governmentwide data without regard to the specific statistics for the VA?

Mr. Rudd. Yes.

Dr. Brown. That's accurate.

Mrs. Johnson. Thank you.

Dr. ROWLAND of Georgia. I recognize now my good friend and colleague, Tom Ridge.

Mr. RIDGE. Thank you, Mr. Chairman.

Dr. Brown, we had some, I thought, very thought provoking testimony at a different subcommittee hearing yesterday morning. One of the purposes of the testimony was to encourage the Congress to encourage the VA and other Federal agencies and the private sector to work together and to cooperate together, particularly in the area of geriatrics, recognizing the tremendous pressure on both public and private systems because of the senior citizens and veterans population in that category.

One of the advantages that was highlighted by practically every witness was that the VA in that area has been a leader and that there is an integrated, comprehensive health care delivery system which includes both medical and social workers and health care professionals. One of the problems, then, I presume, in achieving the 2 percent across the board in grades GS 11-15 is that we fly right into the face of probably some of those hands on people—the paramedical people, the social people, and the psychiatric people.

Do you think a hands-on exemption would alleviate all or most of the problem that you would see in terms of continuing to deliver a comprehensive health care program to veterans? By hands on I mean the social workers and those kinds of professionals. Do we need another exemption in that category to help the VA deliver the services that yesterday it was applauded for delivering?

Dr. BROWN. Of course, that is our greatest area of concern because it is direct patient care. However, I would hate to see the percentages taken up entirely by administrative personnel because that will equally damage our hospital operation. So I would guess I would like to very much see hands-on people exempt, but I would hate to see that same burden placed on strictly administrative personnel. If we had to take a 2-percent across-the-board reduction in all administrative positions, we simply couldn't handle that and still have our hospitals function efficiently and effectively.

Mr. RIDGE. Yesterday, my colleague, Nancy Johnson, was talking about veterans' facilities being operated pretty much on a fixed-cost basis and the difficulty that hospital administrators have in manipulating when they are told they have got to make some reductions. Not many of them have a reservoir of extra money. I suppose then, if it came down to a greater exemption or identifying particular individuals to be removed, or a 2-percent reduction in appropriation, none would be very satisfactory, would it?

I mean, in an effort to reduce the cost, the Grace Commission has said we need a 2-percent reduction in personnel, and clearly we don't want to eliminate health care personnel. Are we better off saying we just should have a 2-percent reduction in appropriations?

Dr. BROWN. If those are my options, yes, sir.

Mr. RIDGE. I know you don't like the options, and I am not saying that's where the committee would go.

Dr. BROWN. I would elect to give up the money rather than the personnel and take it out of other sources.

Mr. RIDGE. Because I know there are different medical facilities staffed differently, with different agencies working with them, I wonder if there is a difference in the regional impact of a proposal like this in the system?

Dr. BROWN. I think the difference is primarily from facility to facility. Reductions are being made through attrition only, so someone has to leave in order to have a position eliminated or downgraded or to hire other lower graded personnel to take their place. Smaller facilities, in general, do not have the turnover that larger facilities do. So, as a result, the burden has been shifted to larger facilities that have more flexibility. You will hear from some of those today.

Mr. RIDGE. Thank you very much, Doctor.

Dr. ROWLAND of Georgia. Thank you, Tom.

Dr. Brown, are you aware of the GAO report that provided information on the administration's program to reduce grades 11–15 positions?

Dr. BROWN. Not in detail, sir.

Dr. ROWLAND of Georgia. At this point I want to, without objection, make this part of the record. Perhaps it might be good to look at that.

[The GAO report appears at p. 42.]

Dr. ROWLAND of Georgia. Dr. Brown, on January 11, 1985, the chairman of the full committee sent out a questionnaire to all VA medical center directors. One of the questions asked was the impact that this grade reduction would have on the centers' ability to deliver quality medical care to eligible veterans.

Have you seen the responses to the questions that were asked on this questionnaire?

Dr. BROWN. No, sir; I have not.

Dr. ROWLAND of Georgia. Well, the staff of the committee has reviewed the responses to this questionnaire and reports that 100 percent, 100 percent of the respondents, indicated it would severely limit the ability of the VA medical centers to compete for personnel and that it would impact adversely on their ability to continue to deliver quality medical services.

Would you care to comment on this?

Dr. BROWN. I have faith in our Directors and Chiefs of Staff to ensure that quality of care continues. What I would suspect is that if, indeed, they have to diminish the number of personnel to the point that something has to be compromised, then I would suspect that they will diminish quantity rather than quality of care. So, they will turn patients away in greater numbers if they have to.

Now, if you go into detail of the specific title five people who are impacted here, I would guess that it would have other effects, too. For example, if they have a diminished number of social workers, they would not have people outplaced as efficiently as they might, and therefore, their length of stay may go up. So it could have a number of impacts like that. But I suspect they would protect the quality of care.

Dr. ROWLAND of Georgia. I am already hearing from veterans that they are being turned away, that that is already a problem in the district that I represent. I am hearing that from hearings around the country, too. So I suppose that would just increase if this is implemented.

How would you describe the Department of Medicine and Surgery's management program over the past several years? Is it excellent, good, average, below average? If it's good or better, then why all this big production to reduce the grades of your work force that you describe as being managed better than average? And if you do, I would assume the best interests of the taxpayers and the veterans are represented.

Dr. **Brown**. I think we have done an excellent job of managing our personnel, and I think the data reflects that in my statement. I think, indeed, we have held down the escalation of grades very effectively. I think our personnel have done an excellent job.

Would you care to comment on that, Mike?

Mr. **Rudd**. Again, when the Office of Personnel Management itself reports—and they're not particularly charitable to agencies in terms of position management control—when they themselves say that the VA has an effective position management program ranking third among the 22 largest Federal agencies, we take that as speaking for itself in terms of the effectiveness of our program.

Dr. **Rowland** of Georgia. What has been the reaction of OMB and OPM to the fact that VA-wide, excluding title 38 positions, the agency is 9 to 10 percent below the alleged 26 percent of individuals in the private sector receiving pay comparable to GS 11-15?

Dr. **Brown**. Mr. Rudd.

Mr. **Rudd**. Well, again, in the conceptual stages of this program a number of agencies made pleas based on their own particular circumstances at the inception of the program. For example, the Federal Aviation Administration was proposed to be included. Well, they were making a case, an obvious one, that they were hiring air traffic controllers in this 11 through 15 band just as quickly as they could get them. Therefore, they were able to get an exemption.

I understand also that Justice, because of the fact they are putting on border patrol agents and drug enforcement agents at a high rate, has been able to get an exemption. We were able to get an exemption for title 38. So there has been some flexibility in the program.

Frankly, we would have liked to have seen the exemption for the VA go further than it did.

Dr. **Rowland** of Georgia. It certainly seems that if this were implemented, it would severely impact on the VA's ability to provide care. As you indicated, you wouldn't let the quality go down, but it might be there would be less veterans that would be able to obtain care. Is that essentially correct?

Dr. **Brown**. Yes, sir. As I mentioned previously, I think that we can handle the fiscal year 1985 reductions, but I am very concerned about outyears. I think a further reduction would really impact us.

Mr. **Ridge**. Mr. Chairman, would you yield for two final quick questions before you dismiss the witness?

Dr. **Rowland** of Georgia. Yes; I will.

I just want you to know that I am very concerned about the quality of medical care in the VA as well as providing those veterans who are eligible for getting that care also.

I will yield now to Mr. Ridge for additional questions.

Mr. **Ridge**. Thank you, Mr. Chairman.

Dr. Brown, you stated there would be no reductions in force, that no RIF's would take place, and that no encumbered positions would be downgraded. Have your medical centers and your field stations been made aware of these policies and could you explain to the committee how you made them aware? Obviously, they would be very concerned about that kind of impact, and we want to know how you allayed those fears.

Dr. BROWN. Yes, sir. There has been a circular signed by the Administrator sent out to the field, and also one in DM&S, which explains it in detail and makes it very clear that there will be no reductions in force. Also on my weekly conference call, we have talked about it repeatedly. So, I am confident that all the field directors are well aware that there will be no reduction in force.

Mr. RUDD. If I might add, the problem, of course, is that program goals are to be achieved through attrition. Attrition, of course, doesn't occur where you might want it to occur. So you might have an area where you feel you could afford to lose some positions and you would get no turnover there, but in another area where it's a critical area, you do have attrition and then you are unable to fill those positions.

Mr. RIDGE. One final question, if I might, Mr. Chairman.

Do you feel that the VA hospitals and men and women with whom you deal believe that drastic things are to come from these grade reduction proposals? I will tell you that I have a medical center in my district and we keep in fairly close contact with the veterans community, through veterans organizations and the like, and we hear stories about ward closings, bed reductions, poor morale, recruitment problems, poor quality of care, et cetera, et cetera.

Could you comment on what you feel may have already happened or what you feel may happen as a result of even a discussion of the change in policy, let alone a policy of attrition?

Dr. BROWN. I think thus far the main phenomenon I am seeing is anxiety about what is coming. The targets were not sent to the field for these specific 11 through 15 reductions until mid- to late January. As a result, we are just beginning to see a downturn in the number of grades 11–15. So really the impact thus far is very difficult to measure.

Mr. RIDGE. Thank you very much, Doctor.

Thank you, Mr. Chairman.

Dr. ROWLAND of Georgia. Thank you.

Mrs. Johnson.

Mrs. JOHNSON. I just wanted to add, Dr. Brown, that apparently there is going to be sort of a formal report on the impact of these changes. Would you be sure to share that with the committee when that is complete?

Dr. BROWN. Yes, we will.[1]

Dr. ROWLAND of Georgia. The Honorable Tim Penny is here and I wish to recognize him now for any questions or comments he may have.

Mr. PENNY. I have no questions, Mr. Chairman.

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[1] Unavailable at time of publication.

Dr. **Rowland** of Georgia. One additional question, Dr. Brown.

I understand that a number of DM&S employees in the central office were recently notified that they would no longer be employed in Washington. Can you provide any additional information on these actions? Are there going to be reductions in numbers of GS 11-15 employees in Washington?

Dr. **Brown**. Mr. Yarbrough.

Mr. **Yarbrough**. Mr. Chairman, first of all, your understanding is correct, but that is not related directly—in fact, not even indirectly related to the 11 through 15 reductions. The consequence of the reductions in central office will have some impact, positive impact, on meeting our goals in the central office.

We have a reduced fiscal situation in 1985 for VACO medical personnel and we cannot support through payroll dollars the number of FTEE that were actually authorized in the 1985 budget. So that has had already and will continue to have some impact on our hiring in central office.

The impact in 1986 is even more drastic. The budget figures will cause a reduction of over 100 positions in VACO medical personnel. We are taking three different approaches to meet that changed condition. One is to look at singular functions that can be moved from central office and transferred effectively to some location in the field. Second is to effect some decentralization, which is a horizontal movement, of certain activities now pursued in central office that can be effectively pursued at a lower organizational level—for example, in the regions. And the third area is the instance that you brought up, where 117 positions have been identified by the various ACMD's and key staff as being less essential, if you will, than those that they retained. Eighty-eight people occupied these 117 positions and those 88 people have, in fact, been notified formally that their positions will be abolished, not that they have been abolished. We have a very considerate and complete mechanism set up in conjunction with Mr. Rudd's operation to accommodate and effect transfers of each of these people into a viable position that will remain in central office.

Some of these people among the 88 have indicated a willingness to transfer to the field in a position or function for which they are qualified, and we will attempt to place them in the field where we can locate the position they are qualified for.

Dr. **Rowland** of Georgia. Thank you very much.

I wish to recognize Mr. Penny at this point.

Mr. **Penny**. Mr. Chairman, I just have one question.

Dr. Brown, prior to today's hearing, did you have to run this testimony past the folks at the Office of Management and Budget?

Dr. **Brown**. No; we did not.

Mr. **Penny**. OK. I was just curious. I know we have had that problem——

Dr. **Brown**. They were sent a copy, but they did not——

Mr. **Penny**. They did not edit it?

Dr. **Brown**. No. The copy that you have before you is unedited by OMB.

Mr. **Penny**. Thank you.

Dr. **Rowland** of Georgia. Thank you.

Mrs. Johnson.

Mrs. **Johnson**. Mr. Chairman, I would like to ask the privilege of submitting a statement by Congressman Hillis, the ranking member of this subcommittee, for the record.

Dr. **Rowland** of Georgia. Without objection.

[The statement of Mr. Hillis appears at p. 100.]

Mrs. **Johnson**. Also, I would like to ask if he could submit questions in writing for your response, since he is detained at another hearing.

Dr. **Brown**. We will be pleased to respond for the record.

Dr. **Rowland** of Georgia. I thank all of you very much for being here this morning.

Dr. **Brown**. Thank you, Mr. Chairman.

Dr. **Rowland** of Georgia. I wish to now call representatives from these organizations: The American Legion, Mr. Paul Egan and John Sommer; from the Veterans of Foreign Wars of the United States, Mr. James N. Magill; and the Disabled American Veterans, Mr. Ronald W. Drach.

Please keep your testimony as brief as possible, and you may proceed in any order you so desire.

STATEMENTS OF PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION, ACCOMPANIED BY JOHN F. SOMMER, JR., DEPUTY DIRECTOR, NATIONAL VETERANS AFFAIRS & REHABILITATION COMMISSION; JAMES N. MAGILL, ASSISTANT DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES; AND RONALD W. DRACH, NATIONAL EMPLOYMENT DIRECTOR, DISABLED AMERICAN VETERANS

Mr. **Egan**. Thank you, Mr. Chairman. John Sommer will summarize our remarks for the committee, but before turning the microphone over to him, I would like to say that we have considered this initiative since its inception and we have always viewed it with considerable foreboding. That foreboding has now been confirmed as evidenced by our field reports. Several excepts from those field reports begin on page 6 of our statement and we certainly commend those to your close attention.

STATEMENT OF JOHN F. SOMMER, JR.

Mr. **Sommer**. Mr. Chairman, members of the subcommittee, as Mr. Egan mentioned, we shall summarize the salient points that have been set forth in our statement and reemphasize the extreme concerns of the American Legion with respect to the fate of the Department of Medicine and Surgery absent its exemption from the GS-11 to 15 grade reduction initiative.

The Veterans' Administration as an agency should not have been included in the reduction initiative from the outset. If the Office of Personnel Management and OMB had first reviewed the position structure of the VA prior to taking a shotgun approach to the alleged Governmentwide management escalation that was painted in broad strokes by the Grace Commission, this fact would have been obvious.

After much coaxing, the Administrator did request the exclusion of title 38 positions in the Department of Medicine and Surgery from the reduction initiative. The request was granted by OMB but the funds, as was previously mentioned, were not restored in the fiscal year 1985 budget to support these positions. OMB irrationally decided that the over $5.35 million was to be absorbed by the VA. The result of this decision now has left the grade 11-15 positions under title 5 vulnerable to the 2-percent-per-year reduction.

The Department of Medicine and Surgery, at 14.6 percent, had the lowest rate of title 5 positions at this grade level compared to total employment of any department or staff office in the Veterans' Administration prior to the implementation of the reduction initiative, as was mentioned earlier by Dr. Brown. Title 5 positions in DM&S comprise 60 percent of the Department's employment in the effective grades, and 68 percent of all DM&S personnel employed in the grade 11-15 levels are involved in the direct provision of health care to veterans. The remainder serve in critical management positions that are necessary for the administration and supervision of the provision of health care to veterans.

To satisfy the goals that have been imposed upon DM&S we have illustrated in the excerpts from our field service site visit reports, it has been necessary for hospital directors to deny promotion of eligible personnel to grade 11 positions. Some important positions have been abolished. Vacancies, some of which existed prior to the implementation of the initiative, have not been filled. Systemwide shortages of pharmacists, social workers, psychologists, and other key personnel are now materializing.

Recruitment and, in many cases, retention of employees in some critical positions has become almost nonexistent because of the lack of potential for promotion. Growing numbers of DM&S officials and employees are viewing the impending reduction of a minimum of over 1,400 health care personnel as the beginning of the end of the provision of quality medical care to veterans as we know it. Amidst all of this havoc, the Administrator has dug in his heels and refused to seek an exemption of title 5 positions.

Mr. Chairman, the American Legion considers itself a responsibile representative of veterans and does not make a practice of preaching doom and gloom. However, as we predicted over a year ago, the Department of Medicine and Surgery is now reeling under the impact of the illogically-conceived grade reduction initiative. The medical care system cannot absorb the reductions that have been insensitively forced upon it by OMB. The practice of medicine cannot be equated with the shuffling of paper. Thus, DM&S does not have the ability of other agencies to accept these reductions without a direct contradictory effect upon its ability to provide quality medical care.

The situation now existing within DM&S is critical. Without substantial relief, it can do nothing but get worse. It is obvious that no further consideration will be given this situation by the Office of Management and Budget and apparently the Administrator of Veterans Affairs. Therefore, congressional intervention appears to be the only possible salvation of the VA health care program.

The American Legion emphatically urges that this subcommittee and the entire Congress promptly lend swift and serious consideration to such intervention before total and irreparable damage is wrought upon the VA medical care system.

Mr. Chairman, that concludes our summary.

[The statement of John F. Sommer appears at p. 47.]

Dr. **Rowland** of Georgia. Thank you very much for that statement.

Mr. Drach.

STATEMENT OF RONALD W. DRACH

Mr. **Drach**. Thank you, Mr. Chairman.

On behalf of the more than 1 million members of the Disabled American Veterans, I am very pleased to be here before you this morning to discuss this issue. With the understanding that my entire testimony will be in the record, I would like to summarize and highlight several points.

Mr. Chairman, we believe that the effort by the Office of Management and Budget and the Office of Personnel Management is not an effort to improve position management but, rather, just an effort to save money, pure and simple. We believe that the VA should be exempt. They are not part of the perceived problem; therefore, they should not be asked to be part of the solution. By doing so would only penalize them for already doing a good job in position management. We have no doubt that any further reduction across the board in this manner is going to impact on the quality and the quantity of health care in the VA medical system.

I would just like to talk briefly about the effort here to compare the Federal system with the private sector system. Should they be the same? We think not. If they were, perhaps Mr. Grace should be turning over his salary. It is kind of ironic that he's recommending some parity between the private sector and the public sector; yet I understand his salary is much, much more than the President of the United States. Is that, in itself, fair?

It is also interesting that this effort is based primarily on two studies, one done by OPM and one done by the Grace Commission. The irony here is that many, many studies have been done over the last several years comparing pay of Federal employees to private sector employees. Every time the President's commission or another body comes out saying that Federal employees, across the board, are not paid comparable to their counterparts in the private sector, the administration dismisses these studies as being inaccurate and skewed. Yet they accept one study by the Grace Commission as fact and they take immediate steps to implement those recommendations.

If, indeed, they are going to continue in this effort—and we have no doubt that they will—we have two recommendations. One, OPM admits that 40 percent of the problem is due to overgrading and misclassification. They should take the existing authority they have to do desk audits and take that 40 percent of the problem and reduce those incumbent positions to grade levels that actually reflect the duties of the position. By imposing a 2-percent across-the-board reduction, we fear that they will miss perhaps some of that 40 percent, which is almost half of the problem.

The other recommendation we would make would be not to just impose a 2-percent across-the-board decrease but to look at the agencies who are responsible for the problem and ask those agencies to reduce proportional to their incidence in the overgrading or number of positions.

That concludes my statement, Mr. Chairman. I will be happy to answer any questions.

[The statement of Ronald Drach appears at p. 67.]

Dr. ROWLAND of Georgia. Thank you very much.

Mr. Magill.

STATEMENT OF JAMES N. MAGILL

Mr. MAGILL. Thank you, Mr. Chairman, for the opportunity to present the views of the Veterans of Foreign Wars with respect to the personnel reduction in grades GS-11 to 15.

Mr. Chairman, as you know, the Grace Commission, as we have heard many times today, claims the Federal Government is being managerially overstaffed in the GS-11 to 15 classification range. The Commission then recommended the Federal Government immediately start reducing its level of GS-11 to 15 employees by 2 percent in fiscal year 1985 and then followed by the next 4 years. That was to bring the Government more into line, I guess you would say, with the private sector of midlevel management.

Should the Veterans' Administration be required to comply with this directive, the impact on the VA's ability to provide the high level of health care that we expect and have been accustomed to in our opinion would be disastrous.

Whether or not the Commission's assumptions as to the actual percent of middle management in the private sector are valid I don't think should really be of contention right now. What is of crucial importance is that the VA is clearly well below the private sector percentage and should, without question, be exempt from the reduction.

We also believe that in order to ensure the continued high quality health care supplied by the VA that title 5 employees within the VA health care system be excluded from the two percent reduction. These employees are the backbone of the support functions. Of these title 5 employees, 68 percent, as was noted before, are involved in direct patient care. Any reduction in this level and classification can only do great harm to the total health care delivery system.

It must also be noted at this point that the Commission's original intent was to reduce the Federal Government's managerial overload. The VA's title 5 employees in question are not managers, per se, but are health care professionals, placed in the GS-11 to 15 pay schedule for recruitment and retention purposes.

With respect to title 38 employees, we believe they should continue to be exempt from the 2-percent employee reduction. We also strongly recommend that funding not continue to be withheld from the VA budget based on that 2-percent reduction in staffing. Even though doctors, nurses, et cetera, may in a remote sense be considered managers, that definition is certainly secondary to their being health care professionals. You must admit, it would be most difficult to attract and retain doctors and nurses at a pay scale lower than one already considered inadequate.

We believe that every effort must be made to ensure that veterans continue to receive high quality health care. The Grace Commission recommendation discussed here today not only is unwarranted but is a direct threat to the VA's ability to serve our Nation's veterans.

This concludes my statement. I will be happy to answer any questions you may have.

[The statement of James Magill appears at p. 75.]

Dr. **Rowland** of Georgia. Thank you, Mr. Magill.

At this point I wish to enter in the record that Hon. Don Sundquist was here but had to leave because he had a conflict.

Mr. Sommer or Egan, I have a question. In the testimony the point is made that the organizational structure of the VA necessitates that the number of so-called middle management personnel be there. Would the position of the American Legion be that the Grace Commission did not take into consideration this difference in organization when comparing private industries with an organization with as many field operations?

Mr. **Sommer**. That's correct, Mr. Chairman. The Grace Commission's recommendation applied to the Federal Government. Unfortunately, before any moves were made to implement the recommendations of the Grace Commission by the Office of Personnel Management, there were no studies done to look at the individual agencies. They just looked at the Federal Government as a whole without respect to the number of individuals necessary in those positions or, in the case of the Veterans' Administration, the excellent record that they have, which is far below the total Federal Government in the number of individuals within grades 11-15, and finally, the fact is that those individuals within grades 11-15 in the Department of Medicine and Surgery are, for the most part, hands-on medical care providers.

Dr. **Rowland** of Georgia. Thank you.

Mr. Ridge.

Mr. **Ridge**. Thank you, Mr. Chairman.

First of all I want to commend and to thank the service organizations for your input, particularly that of your field representatives who report back to you. We have a tough time following either the money that we appropriate or the public policy we legislate after its out the door, in order to see what happens. I want to thank the service organizations for your involvement in that effort.

I know you have great concern about the grade reduction proposals affecting the VA and the medical department. Dr. Brown also felt that there was a clear problem so the reduction in management personnel. Is the problem as severe as you see it, or as your service people in the field see it, in terms of management personnel, clerical, or the lower end of the scale, that is, nonmedical people?

Mr. **Sommer**. Speaking for the American Legion, sir, we feel, as we stated in our full statement, that 68 percent of the individuals who are now affected by the reduction initiative, who are under title 5, are direct health care providers. The remaining 32 percent are either associate directors, chiefs of staff, or other service chiefs within the organization, within the medical centers, which are certainly necessary in administering and supervising the provision of medical care to veterans.

We feel that all of the individuals affected under title 5 are important and that title 5 positions should be exempt.

Mr. RIDGE. Have you had an opportunity to assess—and I ask you this because of the personal interest I have as a former Vietnam veteran—the impact of the grade reduction proposal on the Vet Center Program?

Mr. SOMMER. Yes; we have. We are aware of the fact that, with respect to the extension that was provided by law last year of additional vet centers, a number of individuals were authorized—I would have to check my statistics. Here we go.

Public Law 98-371, which was effective July 18, 1984, provided the VA with additional FTE and funds to expand the readjustment counseling program by 52 new vet centers. The committee report accompanying the measure specified that 55 of the 220 new hires for the program could be career-type appointments. As of April 12 of this year, 30 of the new positions in grades 11-15 had been filled, and out of the 30, only 7 were full-time career employees. So it would certainly appear to be having an effect on the vet centers as well as the VA medical centers.

Mr. DRACH. We would agree with that, Mr. Ridge.

Also, the Vet Center Program is a health care delivery system to a large degree. There are no two ways about it. If they were going to impose that reduction, it is going to adversely impact on the Vet Center Program. It has to.

Mr. RIDGE. Is it your assessment—and regrettably I haven't made the assessment and should—that all those men and women affected in the GS 11-15 range, or practically all of them, are primarily related and directly related to the provision of medical services, direct hands-on delivery, be it through a Social Program, a Psychiatric Program, Surgical Program, and the like? Is that your assessment?

Mr. SOMMER. Those within the Department of Medicine and Surgery are, yes.

Mr. EGAN. I think it has to be understood that delivery of health care is necessarily labor-intensive. That might not be the case with some other kinds of service provided outside the sphere of general health care. If you compare the private sector with the public sector in terms of the delivery of health care, you find that, given greater health care staff to patient ratios in the private sector, you have to assume that the level of middle management employees in VA health care is less than the private sector.

Mr. MAGILL. Mr. Ridge.

Mr. RIDGE. Please.

Mr. MAGILL. One thing that was brought up in Dr. Brown's statement, and we agree, was that should a reduction in personnel occur, there is the very high possibility that more veterans will be turned away. He said they would attempt to maintain the high level of quality care but they may have to turn people away. This would be the same not only in the hospitals but also in the Vet Center Program as well. I think that should be kept in mind, that should this reduction occur, more people may be turned away.

Mr. RIDGE. I appreciate your testimony. Thank you very much.

Dr. **Rowland** of Georgia. Mr. Penny.

Mr. **Penny**. Thank you, Mr. Chairman.

Mr. Magill, in your testimony you indicated that you thought, at least in the area of title 5 employees, that an additional exemption should be made, if I understood your testimony correctly?

Mr. **Magill**. Yes, sir. We feel that title 5 employees should be exempt from the 2-percent reduction.

Mr. **Penny**. Yet the resolution that your organization passed indicated, it appears to me, an objection to the entire policy of force reduction for the Veterans' Administration.

Is your position on title 5 kind of a highest priority area but, beyond that——

Mr. **Magill**. Well, our position is to maintain, sir, the high level of health care. Our resolution does say we oppose the application of this personnel reduction program to the Veterans' Administration. We feel that it would affect the health care part of the VA more than anything else. We still would not want the VA personnel to be reduced at all, whether it be DM&S or DVB.

Mr. **Penny**. OK. So the position is that especially in the area of health care you don't want to see that force reduction, but the policy statement approved by your organization at its convention was, in fact, in opposition to any force reduction for the VA?

Mr. **Magill**. Yes, sir, that's correct.

Mr. **Penny**. Could I get the other two organizations to respond to that same question, because I think you have kind of taken the same position here that, at the very least, you have got to protect all the health care positions, but the bottom line is, based on the evidence available, you don't think there is really any justification for any reduction in VA personnel, period?

Mr. **Drach**. I would agree with that, Mr. Penny. The only thing I'm not sure of, I'm not sure we have a resolution, per se, from our last national convention on this issue. But we have taken the position that we believe the VA should be exempt across the board. We don't think they are part of the problem. If you exempted title 38 employees, you have 17 percent left that supposedly fall in that grade range. That is 10 points below the private sector. So we don't see the VA as being part of the problem.

The only recommendation again I would make would be, if there is a problem in the VA in overgrading and overclassification, look at the incumbents of those particular positions. We certainly don't advocate that people doing GS-5 work should be paid GS-11 salaries. Look at those individuals and if they are a problem, then take appropriate steps on those individuals.

Mr. **Penny**. Thank you, Mr. Drach.

Mr. Sommer.

Mr. **Sommer**. Yes, Mr. Penny. With respect to the resolution that was mentioned by the VFW, the American Legion has a resolution that was approved by the delegates to the 1984 national convention which specifically states that the American Legion opposes the inclusion of either title 5 or title 38 employees in the Department of Medicine and Surgery in the reduction initiative.

To reiterate what I stated earlier, we feel all DM&S personnel should be exempt from the reduction initiative.

Mr. **Penny**. Thank you.

Mr. Egan.

Mr. **EGAN**. I think your question was a little bit broader than just grade reductions in the Department of Medicine and Surgery.

Mr. **PENNY**. Yes.

Mr. **EGAN**. We also have a resolution seeking the restoration of full-time employee equivalents within the Department of Veterans Benefits. We feel the sustained losses of full-time employee equivalents over the last several years is having an effect on the amount of time it takes to adjudicate claims and grant benefits. So within the scope of this hearing, yes, we don't think it is appropriate for grade reductions in title 38 or title 5, but apart from that, we also think that it is wrong to proceed with further reductions in personnel in the Department of Veterans Benefits.

Mr. **PENNY**. I appreciate that. I understood that to be the position of all the organizations but I just wanted to make sure it was clear for the record.

What we are faced with here is a situation in which we have appropriated for a certain staffing level in this Department only to have that appropriation withheld with the intent of forcing the department into a cutback. Clearly, it has been an arbitrary decision. Because as you look at what is going on within the Department of Veterans Affairs, or within the Veterans' Administration, you know that this department is not contributing to the problem that the Grace Commission alleges is in existence in the Federal work force. Especially when you look at the particular circumstances involved, there are an awful lot of other factors that ought to be considered for this type of a department, apart from other types of employment at the Federal level.

So I just wanted it to be clear that all the organizations here this morning, though they are most concerned about the health care personnel, are also opposed to the way this 2-percent force reduction has been arbitrarily applied to a department that is not at all contributing to the problem that the Grace Commission identified.

Thank you, Mr. Chairman.

Dr. **ROWLAND** of Georgia. Thank you, Tim.

At this point I wish to recognize minority counsel.

Mr. **WILSON**. Thank you, Mr. Chairman. I have just two short questions.

The Disabled American Veterans apparently retained an attorney to get them a legal opinion as to what were the legal ramifications of this entire matter. You have that opinion and you appended it to your testimony.

What do you intend to do with it?

Mr. **DRACH**. Well, I regret to inform you that that was an unsolicited opinion. That came as a response to an article that was in the DAV magazine by our national director of services, Butch Joekel. Mr. Zengerle responded to that on his own volition.

It is appended to my statement and we haven't decided what further action we're going to take at this time. But we will inform you——

Mr. **WILSON**. It seems, Mr. Chairman, many lawyers are now doing free work, I guess.

To all the veterans organizations, each of you have service representatives who assist veterans on appeals to the Office of Personnel

Management. Each regional part of the Veterans' Administration, each hospital, is given a certain quota to reach the overall goal of the Veterans' Administration.

What would happen, for instance, to a social worker who had a GS-9 grade in New York, and a social worker in California doing the identical work had a GS-11 grade, and the person in New York would appeal their grade based upon the functions and duties of that which is performed in California. Would those kind of appeals be handled by your people, and if so, would you care to predict the results of them?

Mr. DRACH. Speaking for the DAV, Mr. Wilson, we do provide assistance and representation through our national service officers to preference eligibles who may believe the laws have discriminated against them or were not applied across the board fairly. We would not normally get involved with a nonpreference eligible complaint of that nature. Rather, I think we would take a broader look at it. We would take it from a policy standpoint, that a social worker in New York performing the same duties as a social worker in Albuquerque should obviously be paid the same scale.

I think the Vet Center Program is another good example of that. Why should a team leader in New York be paid more than a team leader in Albuquerque? There is no fairness in that.

Mr. WILSON. To your knowledge, Ron, have there been any such appeals so far from veterans?

Mr. DRACH. I haven't heard of any myself, no.

Mr. WILSON. Thank you, Mr. Chairman.

Dr. ROWLAND of Georgia. Thank you, Mr. Wilson.

Let me express my appreciation to all of you very much for being here this morning and helping us to focus on this very important problem that we're facing.

Mr. DRACH. Thank you, Mr. Chairman.

Mr. MAGILL. Thank you.

Dr. ROWLAND of Georgia. The next panel will be Miss Barbara Small, Mr. John R. Fears, Mr. C. Wayne Hawkins, and Dr. John J. Matoole.

While you are coming forward, I want this statement to be placed in the record of this hearing. This panel, consisting of three VA medical center directors and a chief of staff of a VA medical center, have been asked to appear this morning at the request of the chairman of the full committee. They have been asked to give their personal views—I repeat, their personal views—on the impact, if any, of the 2-percent-per-year grade reduction of GS 11-15, excluding title 38 physicians, dentists, and nurses. I say this for the record. Chairman Montgomery has asked that I assure the individuals appearing on this panel that we solicit only their personal veiws as opposed to the official position of the VA and the executive branch of the Government.

It would be regretted if the VA or any other official in the executive branch attempted to take any action against the panel members as a result of their testimony here this morning. The Committee on Veterans' Affairs would view this with much concern and would do everything in its power to see that this was corrected. While I am sure that this will not happen, I say this in order that the witnesses will feel free to express their personal views here this morning.

May I welcome all of you and ask that you proceed at your own discretion.

Suppose we start with Mr. Fears and then go across.

STATEMENTS OF JOHN R. FEARS, DIRECTOR, VA HOSPITAL CENTER, HINES, IL; C. WAYNE HAWKINS, DIRECTOR, VA MEDICAL CENTER, DALLAS, TX; JOHN J. MATOOLE, M.D., CHIEF OF STAFF, VA MEDICAL CENTER, OMAHA, NE; AND BARBARA SMALL, DIRECTOR, VA MEDICAL CENTER, BOSTON, MA

STATEMENT OF JOHN R. FEARS

Mr. FEARS. Thank you, Mr. Chairman. It is a real pleasure for me to be here today to testify about this problem.

I think the reasoning behind the decision to reduce the number of grade 11-15's in our VA hospitals has been adequately pursued here today. It is obviously fallacious, it is based on erroneous data, and it wasn't really a very wise managerial decision to make.

The second thing I would like to do is to assure you that at least in fiscal year 1985 the quality of patient care will not be affected in my hospital due to this. Through some innovative management techniques, I think we will be able to handle the problem. However, I would also like to say—and I would like to look at this in a little bit different light—the quality of management in my hospital is going to suffer in fiscal year 1985 because of this particular decision. I would like to just give you one example of how that is going to occur.

In 1981 the Congress studied the problems we were having with the ward stock method of distributing our pharmaceuticals. There was a tremendous increase in the numbers and types of drugs being used and there was documented abuse of the pharmaceutical system. It was then decided that the VA should go into a unit dose delivery system.

Now, the Congress recognized that the unit dose delivery system was a personnel-intensive type thing, so they authorized the VA an increase in the number of people that it had to dispense drugs.

At Hines, the hospital that I represent, this increase was 32.5 full-time-equivalent employees. With this increase, we improved the quality of care that we give to our veteran patients through better control and distribution of our drugs.

Unfortunately, once a system like this is put in place, it is very difficult to back out from it. Not only can't we back out from it without tremendous difficulties, but because it does provide better quality of care, we don't have any reason to want to back out of it.

Now, with this background in mind—that is, a personnel-intense type delivery system of pharmaceuticals—coupled with the unfortunate fact that GS-11 pharmacists turn over very rapidly in my hospital because our salaries are not competitive with the private sector, I am forced into a rather unusual situation. Vacancies in pharmacy cannot be filled because I've got a GS 11-15 freeze on, but I still have to get the drugs to the patients. The only solution to this is to pay the pharmacists that I do have, that will stay on, time-and-a-half overtime to get the prescriptions filled. I then have pharmacists who are working too many hours, past the point of peak efficiency; they become frustrated, turnover increases, and we're at a greater risk of having medication errors because they are overworked. In summary, I am paying more for less efficiency, with a greater possibility of error.

I would ask the rhetorical question, is that good management. I think it is fairly obvious it is not. This is just one example of how we are forced to make managerial decisions that really aren't cost effective.

In conclusion, I would like to submit to you that if OMB and OPM were really serious in any study they would make about managerial people in our hospital, they would find that the VA puts a vast majority of their scarce resources into patient care or hands-on type people. In fact, we are severely understaffed when it comes to managerial and supervisory type people if we were compared to the private sector. I think we are really existing with the bare minimum of managerial personnel.

Thank you very much.

Dr. Rowland of Georgia. Thank you.

Mr. Hawkins.

STATEMENT OF C. WAYNE HAWKINS

Mr. Hawkins. Thank you, Mr. Chairman.

Today we have heard a lot about the 2-percent reduction that has been applied across the board. I would like to address that question because, in my opinion, the cut is much more substantial than 2 percent.

Taking my own institution, for example, I had 186 positions authorized at the GS 11-15 grades. My cut that was assigned was 138. That, in simple arithmetic, amounts to about a 26-percent reduction in the total number of positions which I had authorized at my medical center to carry out the functions in those grade ranges.

The cutoff date was selected in March of 1984 as the figures to use for the reduction to apply the 2 percent. I had onboard at that time 144 GS 11-15's, and I was cut to 138, which represents a 4.5-percent reduction based on what I had onboard at that time.

One reason I had so many vacancies at that time—and this is true with many of my colleagues in my part of the country—we were trying to implement a unit dose system. We had been given several positions in pharmacy to implement a unit dose system. We have tremendous difficulty in recruiting pharmacists in Texas, in the Southwest. No consideration was given to the actual vacancies that occurred, either through attrition or with the addition of new programs. So the cut is much more substantial than 2 percent.

That is what I'm having trouble with. I have had to stop implementation of the unit dose system. I have also had to curtail some programs in other areas, particularly in physical therapy, where we cannot hire people at lower levels. We are not competitive with the community in many of those areas, particularly in physical therapists, occupational therapists and pharmacists.

It is not a sensible alternative to suggest, as OPM did, that we re-engineer those jobs to a lower grade when I can't hire them at the present level. I am having tremendous difficulty in recruiting in those grade ranges, in those critical patient care areas.

I agree with Mr. Fears. I have the same problem. I am paying overtime to get my prescriptions filled. My pharmacists are leaving the VA medical center for higher paying jobs in the community. My moral in pharmacy is poor and burnout is occurring because of the pressure we are putting on those people to continue to meet the patient care needs.

In essence, if this continues into 1986, we will have severe problems not only in the timeliness in delivery of health care, but also in the quality, in my opinion.

A good example, the other day we were trying to implement cost-saving devices and programs in our medical centers, like day surgery, ambulatory surgery. I had a patient stop me in the hallway, and said he was very pleased to be able to get his surgery done on an outpatient basis, but he had his surgery done at 7 o'clock in the morning and this was 11 o'clock and he was still waiting on his medications from the pharmacy to relieve the pain caused by the incision of the surgery.

Right now, I can truthfully say that timeliness is a problem in our pharmacy area because I cannot fill my positions, and I think this will continue to get worse as we get into 1986 if the cuts are continued.

Thank you very much.

Dr. **Rowland** of Georgia. Thank you, Mr. Hawkins.

Dr. Matoole.

STATEMENT OF JOHN J. MATOOLE

Dr. **Matoole**. Thank you, Mr. Chairman.

I am honored to have been invited to be present today. I am also the immediate past president of the National Association of Veterans' Administration Chiefs of Staff and I have discussed this issue with many of my peers at many other VA hospitals and will speak not only for myself but also for them.

I think the issue that is presented is very important because physicians do not function in a vacuum. A hospital is not simply doctors and nurses, or doctors, nurses, and dentists. There are a large number of individuals who are very important in the delivery of health care who support these physicians.

The salaries that are paid to these individuals are determined by the marketplace, not by some foolishness in an attempt to overgrade or reward those who choose to work for the Federal Government. We have to compete with other private health care facilities in the Nation and in many areas we simply are not competitive.

As has been pointed out by many others who have spoken earlier, the majority of the individuals we are speaking of have some direct health care activity. In addition to that, many of the administrative individuals also are important in assuring that adequate supplies and other necessary materials are available.

In a private hospital many of the administrative service chiefs would have the title of assistant administrator for radiology, for supply, things of this nature, and I suspect from other contacts that competitiveness would find that the individuals in the Veterans' Administration, at least in the larger centers, are not compensated at the same rate as those in the private sector.

We are not really talking in a scientific fashion of comparing apples to apples, as far as the proposed grade reductions have occurred. As I am sure all of you are well aware, over the years the individuals in the VA have complied with all of the requirements that have been asked by the President and by the Congress and certainly an effort will be made here, but it will be at some cost. The cost will be efficiency.

It is true that our patients do not pay for their care in terms of dollars. Their care has been prepaid by the Congress of the United States. But they pay in terms of time. If we don't have adequate numbers of pharmacists, if we don't have adequate numbers of social workers, then the services that are provided are delayed. So there is a cost, and the cost in some instances seems to fail to address the fact that the time of the patients is also valuable.

A large number of our employees are covered in this area. Our hospital is about half the size of Mr. Hawkins'. We have approximately 85 individuals in this area. In reviewing those that would be subject to this grade reduction in which patient care would not be in any way harmed, I could find only five positions where we might make a reduction without any impact.

I am again pleased that I have been invited to be here and would be happy to answer any questions you may have.

Dr. ROWLAND of Georgia. Thank you, Dr. Matoole.

Ms. Small.

STATEMENT OF BARBARA SMALL

Ms. SMALL. Thank you, Mr. Chairman.

My colleagues have been most eloquent in describing what is the commonality of problems both in our urban and in our rural hospital centers. I will speak specifically to the situation as it exists in Boston because I have examples other than the ones previously discussed.

While we are dealing with the same situation as it relates to pharmacy and social work, a situation peculiar to Boston, deals with difficulty in recruiting biomedical technicians, staff who maintain our sophisticated medical equipment.

The current situation is that I have three vacancies in the Biomed Program at the GS-11 grade. Their total salary, if they were on duty, would be $90,000 each, or $30,000 per FTEE. In order to obtain the service they provide I am now expending a total of $360,000 for maintenance contracts. You can see the obvious effect of the deescalation of grades 11-15 as it impacts upon the situation. A cost saving initiative has literally resulted in spending $270,000 extra for maintenance contracts.

Another area of major concern, which I think Dr. Matoole alluded to, is the lack of awareness that we react to the marketplace in many instances, not only as it relates to salaries, but we react as the private sector programs change. When private sector programs close down, we see more patients coming to the VA. When private sector hospitals act as wage-setters, we see ourselves reacting commensurately, by requesting special salary rates.

Today, almost any nurse in my hospital can walk six blocks down the street and increase his or her salary anywhere from $6,000 to $10,000 a year. That is a simple fact. What is often perceived as a cost savings, turns out to be one that ultimately involves spending more money in overtime, compromising morals, compromising the timeliness of care, and therefore, compromising the quality of care.

As Dr. Brown indicated, we are responsible managers. We consider our responsibility as a moral commitment, and we make every attempt to implement programs as mandated. Grade deescalation implementation will be dependent upon the turnover that occurs, when it occurs, the amount of creativity we can stimulate among ourselves and our colleagues, in creating ways to avoid compromising the quality of care to veterans.

Thank you. I will be happy to answer any questions.

Dr. **Rowland** of Georgia. Thank you very much, Miss Small.

Let me go back to Mr. Fears and Mr. Hawkins. Both of you talked about the unit dose method of providing medications to the patients. Would you elaborate a little bit on that?

Mr. Fears, you said you had 33 equivalent employees, I believe, that had to come in when you implemented the unit dose system. Could you talk just a little bit about how much better quality control you may have had with that, how much money it may have saved, as compared to the system you did have in effect?

Mr. **Fears**. I haven't made any actual cost studies at Hines. However, based on the GAO report which mandated that we go to the unit dose system, basically what happens in the ward stock method is you have tremendous loss of drugs. The ward stock method is basically where the physician prescribes the medication and they're sitting on the shelves on the ward. The nurses take from there and distribute it to the patient. Whereas with the unit dose method, individual doses are prepared in the pharmacy and sent to the patient every time he needs to take a pill.

Now, I would estimate that we probably have reduced the cost of pharmaceuticals by about 20 percent through this. However, we have also had the 32.5 increase in the number of people. So it's probably a wash. That would be my guess.

The factor that is important to look at here is, even though the cost savings is a wash, I would say we have improved the quality of care and have stopped a very dangerous loss of drugs, which I am sure some of which found their way to the open market in terms of pharmaceutical abuse.

Dr. **Rowland** of Georgia. Do you use any multidose vials at all now for injectables, not under the unit dose system but otherwise, at the nurses station?

Mr. **Fears**. No, sir, I don't believe we do.

Dr. **Rowland** of Georgia. They're all single dose vials, then?

Mr. **Fears**. Single dose vials, yes, sir.

Dr. **Rowland** of Georgia. Mr. Hawkins, would you care to comment on that?

Mr. **Hawkins**. Sir, I don't think the unit dose system was arrived at as a cost-savings program. I think the whole purpose was to improve the quality of care in terms of reducing medication errors and also, as Mr. Fears alluded to, the loss of drugs through the ward system.

I might point out that one reason this was implemented, in addition to quality, is because the Joint Commission on Accreditation of Hospitals has a requirement in order to assure quality of care that each prescription written is reviewed by a pharmacist prior to its dispensing. That was one reason that it was implemented, to meet that provision in order to assure our hospitals meet accreditation standards.

Overall, I don't think it saves money. I think it probably breaks even or may cost money when you apply the savings versus the impact on personnel cost.

Dr. **Rowland** of Georgia. I know that in the private hospitals I have been associated with they have all gone to the unit dose system. I was under the impression that perhaps it not only improved the quality of control but also may have saved some money in the long run, particularly because of the loss of drugs. Maybe you don't experience as much loss of drugs in the VA system as they may experience in private hospitals.

Mr. **Fears**. I definitely think we have had a savings in pharmaceuticals in terms of losses in the actual cost of the drugs that we purchase. But that is offset by the additional personnel that you need to prescribe and dispense the medication.

Dr. **Rowland** of Georgia. I would like to ask Dr. Brown if he could comment on that. Dr. Brown, would you mind commenting on that, if you can?

Dr. **Brown**. Mr. Chairman, do you mean specifically on the cost system?

Dr. **Rowland** of Georgia. Well, what about the loss of drugs in the VA system prior to using the unit dose system?

Dr. **Brown**. I think that's very important because I think the ward system contributed heavily to drug trafficking. I think the unit dose is a much better means of providing specifically for the patient the drugs that are prescribed, and also I think it reduces medication errors. But I suspect, as both gentlemen said, it is probably a wash as far as cost effectiveness is concerned.

Dr. **Rowland** of Georgia. But it certainly improves the quality of care and cuts down on the loss of drugs.

Dr. **Brown**. Yes, sir, it does, Mr. Chairman.

Dr. **Rowland** of Georgia. Thank you, Dr. Brown.

Mr. Ridge.

Mr. **Ridge**. Thank you, Mr. Chairman.

Mr. Chairman, I would like to associate myself with your remarks and those of Chairman Montgomery in assuring the individuals appearing on this panel that we solict only their personal views as opposed to the official position of the VA. We know we have put you in a rather difficult and awkward position and it was very nice for all four of you to say how pleased and flattered and honored you were to be appearing before us. But we also know how difficult it is to be as candid as you have been and we appreciate your forthrightness.

Mr. Fears, probably the first change in VA policy that my district VA hospital administrator made me aware of was the unit dosage system, from the ward stock to the unit dose, so I personally appreciate the problems that you and other hospital administrators have encountered in again trying to comply with a Government directive. Regardless of the ultimate objective, it is much more labor-intensive. I want to share with you and Mr. Hawkins and the rest of the panel that I appreciate your testimony in that regard.

The Peter Grace Commission obviously used a very broad brush and, instead of either departmentalizing or reviewing different kinds of services provided by the Federal Government vis-a-vis the same kind of services provided elsewhere, they just lumped everything together. Even with that kind of study, the VA looks very good compared to the private sector.

Do you have a sense that, in fact, if the study would have been done in comparison to private institutions, that, in fact, when it comes to health care personnel, supervisory personnel, managerial personnel, private sector versus the VA, that on a per capita and expense basis you would fare even better than the broad-brush study?

Mr. **Fears**. I don't think there is any question that that's the case. I think if they had made the simplest of inquiries they would have found that almost all of the people that we have in the 11 through 15 grade area are highly specialized, health care professionals such as pharmacists, lab techs, psychologists, social workers, blind rehab techs, audiologists, speech pathologists, physical therapists—and I could go on and on and on—and that a very small percentage of these people are really managerial people that they're trying to reduce. If they really look at the number of managerial people that we have in our hospitals, they probably would find with a good study that we're short of people, and that the quality of our management probably suffers because we don't have enough people to really adequately supervise.

In my hospital we have a $120 million budget, a $2 million research program, 3,400 people, 240 acres, 96 education programs, and so forth and so on. Forty-six people out of that GS 11-15 identified at Hines are responsible for the management of what I just described to you.

Mr. **Ridge**. Mr. Hawkins, would you care to comment?

Mr. **Hawkins**. I would not expand any further on that. I have the same situation with 40 people. I can look at my records and see that I lose people continually—I just lost a pharmacist, for example, to Parkland Hospital, which is the city-county hospital for Dallas. They are paying their pharmacists more than I am. So I think if they would have done a study on a comparative basis, we would come out looking much better.

Mr. **Ridge**. Would anyone care to comment—and if not, I understand that there may be reasons for which it needs no comment—but would you care to comment on OPM's assertion that, again, fairly broad brushed, there are internal problems with the agencies because of overgrading. Would you care to comment on that broad-brush criticism as it applies to the VA?

Mr. **Fears**. I just recently went through an OPM audit. There were very minimal problems found. As a matter of fact, I believe the only areas where we were found to be overgraded was in the GS-4 and GS-5 area and they reduced a lot of our secretaries from 6's to 5's and 5's to 4's.

Mr. RIDGE. But the problems weren't in the 11 to 15 range?

Mr. FEARS. No. And they did a rather exhaustive study and basically verified that the grades we have assigned are correct.

Mr. RIDGE. Ms. Small.

Ms. SMALL. Yes, thank you. I would like to comment on just one aspect of the Grace Commission report which addresses the time period from 1959 to 1983, as that time of escalation of grades 11-15.

Sixty percent of that increase is identified in the report as being related to high tech industry. But I think there are many other things that one needs to be cognizant of as it relates to health care, and that is certification, the qualification standards, the joint commission standards that have been imposed upon all of us, the fact that quality assurance programs have come into play. All of these things, be they certifications, qualifications, all of which require academic preparation and commensurate pay, I think have to be understood as partially accountable for what we talk about as grade escalation in that 11-15 category. That is the real world as it exists in the health care environment. It certainly is not peculiar to the VA.

Mr. RIDGE. I would like to follow up on that. If you would care to compare field station grades as compared to Washington, DC, grading, is there any difference? Some of us may think the overgrading may not be out there but it may be around here. I was just wondering if you had a sense of that. It may not be out in the field so much among those people with the hands-on experience, but it may be among those who are somewhat critical of that experience.

Ms. SMALL. I think all of us have been so internalized in looking at our own situations that we haven't dealt with that whole aspect of what's happening, perhaps—and maybe we should—to our colleagues around the system.

At Boston we're losing 26 positions, losing 15 percent. I have been devoting my energies toward trying to deal with that situation as opposed to comparing what is going on in the Washington office.

Mr. RIDGE. Mr. Chairman, I realize my time has expired, but I would like to follow up with one more question.

You related the story where the absence of three biomedical personnel, the cost of which would be approximately $90,000, required a service contract, that is some four times that cost. Did you enter into that contract because of your inability to fill those three slots?

Ms. SMALL. Yes, sir. At that particular time we had three journeymen vacancies at the GS-9 level. We had made a management decision to upgrade those positions to a GS-11 so that we could recruit. We could not get anyone to apply for the GS-9. When the compression at the GS 11-15 grade was made, we had to go out and contract for maintenance at a cost of $360,000.

Mr. RIDGE. What would be the comparable pay in a private facility in the same city to provide the same service? Were you losing them to the private sector?

Ms. SMALL. We are losing them to the private sector.

Mr. RIDGE. What would that same person make down the street in a private facility?

Ms. SMALL. Comparable to a GS-12, perhaps 13, depending upon their specialty. If they are highly specialized biomed techs in radiology equipment, for instance, they can name their price. Much the same as we are going to find in the future that medical record technicians are going to be able to name their price. It is becoming a very sophisticated, highly specialized area.

We lose our experienced people to the private sector and we find ourselves constantly recruiting new graduates who come to the VA to gain their experience, and then find themselves able to go out into the private sector and increase their salary.

Mr. RIDGE. Thank you very much.

Thank you, Mr. Chairman.

Dr. ROWLAND of Georgia. Thank you, Tom.

I recognize Mr. Fleming.

Mr. FLEMING. Mr. Chairman, Mr. Ridge has hit on an important issue. You are talking $90,000 versus $300,000, or a loss of $210,000.

As a practical matter, where do you get that money? I mean, based on the allocation that is made, what suffers as a result of that?

Ms. SMALL. That's an excellent question. The fiscal officer starts by bringing in recommendations from the staff for where one might cut, what programs to compress. I think it is important for you to understand that we are committed to being responsible managers, and that it is the total complexity of the hospital management team that becomes involved. When we find ourselves in a situation like that, we ask the clinicians and the entire staff to identify where we perhaps are not most cost effective and efficient, so that we can generate the dollars to pay the unanticipated costs.

Mr. FLEMING. You obviously just don't accept this and let it go when you're spending this kind of money. What is the response you get from central office or your regional director when you tell him what your problem is?

Ms. SMALL. You have heard Dr. Brown's response to our concerns, because we have all written asking for relief. The response from my regional director has been a shared concern and hope for some help in alleviating this situation. My regional director is fully aware of the situation, as is Dr. Brown, and their desire is to be helpful in every way. Hopefully, assistance and help for all of us will be an outcome of dialog such as we have had this morning.

Mr. FLEMING. On the question of nurses, you indicated your nurses could go down the street and get $5,000 to $10,000 more?

Ms. SMALL. That's correct.

Mr. FLEMING. Do you recruit nurses under the special pay provisions that were implemented by this committee?

Ms. SMALL. We do.

Mr. FLEMING. Were any of those same nurses that got the special pay provisions denied the cost-of-living increase this last January as a result of the order that came down on that?

Ms. SMALL. Yes, sir. That was not just specific to the nurses in Boston. It was a decision, agencywide, that nurses in special pay categories did not benefit from that pay raise. I can tell you that they are not the least bit happy about that, nor did that help the morale situation.

Mr. FLEMING. Do you have a nursing shortage at Boston?

Ms. **Small**. Currently we have 12 RN vacancies in our intensive care units and about 18 RN vacancies throughout the rest of the hospital.

Mr. **Fleming**. So you are experiencing vacancies in the nursing service as a result of the inability to recruit, but yet you're having those nurses denied the cost-of-living increase based on what?

Ms. **Small**. Yes. I wish they could hear you say that, because they would be very encouraged to know that you understand and are empathetic.

Mr. **Fleming**. Thank you very much.

Ms. **Small**. Thank you.

Dr. **Rowland** of Georgia. Let me pursue that just a little bit further, because Dr. Matoole alluded to it earlier, the competition, and you referred to it with the nurses.

Let me say that the providing of medical care is a moral activity as much as it is anything else. People who provide that care, whether it be doctors or nurses, feel a sense of responsibility and they will stay in a place until they reach the break point. Nurses will make $5,000 or $10,000 less and physicians will make $40,000 or $50,000 less because they feel that responsibility. But it seems to me that we are reaching a point now with this cut where it is actually going to push us beyond the point where we're going to be able to retain qualified people, because you can absolutely only go just so far.

Would you say that assessment is essentially correct? Will you expand on that some or comment on that particular aspect of it, the moral aspect?

Ms. **Small**. I would like to, if I may, just read one paragraph from someone who applied to us for a job as a pharmacist. When he came in and inquired about salary and benefits, here is his reply. We offered him the job and he declined.

"Unfortunately, I could not accept your offer for financial reasons. The present Government proposals of budget cutting which will adversely affect the salary structure, as well as the benefits, will provide me with less than my present income. In addition, positions may be cut in the VA, and since my wife is in the VA system, I do not want to jeopardize both incomes." The letter goes on to describe a scenario of difficult decisions during this budget constrained period of time. That letter is dated January 1, 1985. I think it speaks to your issue of the stretch point and how unwilling people are at this particular time to buy into a situation where they don't know what the budget alternatives are going to be or what their benefits may be.

Dr. **Rowland** of Georgia. Dr. Matoole, would you mind addressing that from the standpoint of physicians? Do you see a decreasing number of physicians coming into the VA and actually physicians leaving because they have reached this point?

Dr. **Matoole**. Yes, sir. I think you are obviously very perceptive in this regard. It is also my experience that there is a malady involved. They will work all the time necessary, the hours, nights and days. They have, however, more reaction to foolishness, or what they perceive to be foolishness, I think than just personal gain by itself. If they perceive that it's definitely frustrating, there is no way they can accommodate to things that make no sense, with opportunities presented elsewhere, they interact with their peers in the community and they finally come to the point where they say it isn't worth it any longer, that they can do better financially, they can improve their own prestige, and they don't have to put up with some of the things that they find to be greatly annoying.

The outcome is it is very difficult to attract people, particularly in highly specialized areas, in the surgical fields. Those that are very, very good sooner or later become sufficiently discouraged that they will leave. So I think you are very, very correct in your statements.

Dr. ROWLAND of Georgia. Thank you. I wish to express my appreciation very much to all of you for being here this morning. It is a very important hearing.

If there are no additional questions or comments, this panel is dismissed.

The third panel is Dr. Lips and Mr. Holsteen, if you will come forward. I thank both of you very much for being here this morning. I will ask, if you will, to keep your statements as brief as you possibly can.

Dr. Lips, suppose you proceed first.

STATEMENTS OF ORVILLE LIPS, PH.D., CHIEF, PSYCHOLOGICAL SERVICES, VA MEDICAL CENTER, NORTH CHICAGO, IL, AND PRESIDENT, ASSOCIATION OF VA CHIEF PSYCHOLOGISTS; AND VERDAINE L. HOLSTEEN, FORMER CHIEF, SOCIAL WORK SERVICES, VA MEDICAL CENTER, TOPEKA, KS, APPEARING ON BEHALF OF THE NATIONAL ASSOCIATION OF SOCIAL WORKERS

STATEMENT OF ORVILLE LIPS

Dr. LIPS. Thank you, Mr. Chairman.

I am Dr. Orville Lips, president of the Association of VA Chief Psychologists, and the Chief of Psychological Services, VA Medical Center, North Chicago, IL. On behalf of the Association of VA Chief Psychologists and the American Psychological Association, I am pleased to testify on the issue of grade and staff reductions within the Veterans' Administration.

In the interest of time, I ask that my entire statement be entered in the hearing record and I will only summarize major points.

However, I must state from the beginning that the Association of VA Chief Psychologists and the American Psychological Association oppose the staff and grade reduction proposal and its current implementation. We oppose the administration's proposal on three grounds.

First, Mr. Chairman, the VA has no plan to implement this proposal and assure appropriate reductions in midlevel positions in management. The agency has imposed a total freeze on all grade 11-15 positions effective last Thursday. While this may, in fact, ensure the total reduction imposed by OMB, it will create havoc in our medical centers and has the potential to destroy critical health care programs for our veterans.

Second, the grade bulge in the number of grade 11-15 positions used by the Grace Commission to justify the grade reduction proposal simply does not exist within the VA's Department of Medicine and Surgery. Grades 11-15 comprise less than 15 percent of the total Department of Medicine and Surgery work force, compared to the more than 33 percent found in other VA departments.

Third, the staff and grade reductions will be detrimental to the VA health care system and to our veterans. The vast majority of the Department of Medicine and Surgery staff in grades 11-15 are professional health care service providers. We note that the VA has requested and received an exemption from these reductions for health care providers employed under title 38. This exemption, while supportable, provides a very narrow view and a lack of understanding of the complexity of the health care needs and services provided to our veterans. There are many VA health care providers employed under title 5, including psychologists, who are not exempted from the staff and grade reductions. The policy of reducing the staff and grade levels of health care providers under title 5 while exempting other health care providers under title 38 can only work to the detriment of the quality of health care provided within the Veterans' Administration.

We believe that nonexempted providers will seek employment outside the VA system rather than accept grade reductions or poor working conditions due to staff reductions. We also believe that the VA will experience difficulty in recruiting and hiring high-quality professionals to work in the VA, an issue that has previously been addressed here today.

Let me now focus on my own profession of psychology as an example of the impact that the staff and grade reductions will have on the quality of VA health care. Shortly after World War II the VA recognized that traditional medical approaches were not adequate to meet the needs of large numbers of casualties, many of whom were psychological casualties of large-scale modern warfare, suffering from what we now recognize as posttraumatic stress disorder. At that time the VA leadership developed and made a commitment to a policy of comprehensive health care delivery, particularly to the integration of mental and physical health care. The VA contracted with the American Psychological Association in 1946 to create the VA Psychology Training Program, an extensive system of faculty, graduate students and predoctoral internship support for veterans in the field of psychology, and for nonveterans who wished to train within the VA.

This nearly four-decade commitment to increasing the psychological services available to veterans has succeeded. The qualification standards for psychologists working in the VA are the highest of any Government agency, including the Department of Defense. These requirements include a doctoral degree from the American Psychological Association's accredited graduate program and an APA accredited, full-time internship. This dedication to providing quality psychological services to veterans has been a hallmark of the Veterans' Administration and, in our judgment, of great benefit to this Nation's veterans. It is fair to say that the VA was the birthplace of modern clinical and counseling psychology, and continues to provide a significant proportion of the internship training for new psychologists in our country. Today, more than 1,300 doctoral-level psychologists work full time in the Veterans' Administration, 66 percent of whom are VA-trained. The VA is currently the largest single employer of doctorally trained psychologists.

Psychologists serve our veterans and the Veterans' Administration in several capacities: as direct service practitioners, as consultants, as researchers, and as administrators. In addition, psychologists have led the VA in the development of some of the greatest innovations in health care. These include the creation and operation of mental hygiene clinics, day hospitals and day treatment programs, satellite clinics, drug treatment units, alcohol treatment programs, and more recently, inpatient treatment programs for the treatment of posttraumatic stress disorders, as well as our veterans outreach programs.

In my written statement I have listed many major programs which have been pioneered by VA psychologists and have since gained national prominence for the VA throughout our Nation's health care system. Suffice it here to say that the partnership between psychology and the VA has been productive for psychology, for our veterans, and for our Nation, and this is what OMB and OPM are proposing to dismantle and discard.

The question becomes who is going to provide mental health care to our veterans when the psychology programs and psychologists are reduced under this proposal? Will this be BA level mental health technicians? I think not. To proceed with the recommended grade reductions in psychology will mean the curtailment of a relationship and of a series of programs that have been 40 years in the making. This would be a monumental loss and betrayal of our veterans and our Nation, and comes at a time when the VA itself anticipates an even greater demand for services from Vietnam veterans and from the increasing number of veterans age 65 and over.

Mr. Chairman, the effects of the administration's efforts to reduce the health care programs of the VA through staff reductions and grade deescalations have already taken their toll on the psychologists. From January 1, 1984 to January 1, 1985, the Department of Medicine and Surgery lost approximately 100 psychologist positions. This was the result of both the DRG process and the grade reduction program. That percentage of reduction is much greater than the 2 percent specified by OMB and will be much greater under the current imposed freeze, by the end of this year.

It is our hope that this committee will work wholeheartedly to exempt the VA from further staff and grade reductions. Short of this, we feel that all VA direct health care service personnel in title 5, as well as those in title 38, should be exempted from further staff- and grade-level reductions.

I thank the committee for your continued interest and efforts on behalf of our veterans, and for allowing me the opportunity to present my views. I would be happy to answer any questions.

Thank you.

[The statement of Orville Lips appears at p. 79.]

Dr. ROWLAND of Georgia. Thank you, Dr. Lips.

Mr. Holsteen.

STATEMENT OF VERDAINE L. HOLSTEEN

Mr. HOLSTEEN. Mr. Chairman and members of the committee, I am Verdaine L. Holsteen, recently retired from the position of Chief, Social Work Services, at the VA hospital in Topeka, KA. I served as Chief of Social Work for over 20 years in three different centers, one only temporary, but the other two full-time for over 20 years. I am pleased to be here to testify before you on what I understand of the VA system and the loss it will mean to the system with this grade reduction program.

NASW, whom I represent here, is the largest organization of professional social workers in the world, with 100,000 members throughout the United States. A majority of our members work in the health and mental health care system. The VA employs about 3,500 trained social workers who serve with skill and dedication to our veterans and their families.

As you all are aware, during the past three decades the Congress has seen fit to greatly increase the benefits to veterans. This means there is always a requirement for additional people. In my experience with the system, they didn't always fund for new people, even though the benefits were increased. But the system has be able to move forward and to provide what I think is a very high level of care, in spite of the expansion of services and the increase of knowledge which has required higher trained people.

My concern particularly today, if I may summarize, is that this effort will greatly reduce the ability of the system to meet the veterans' needs, and the quality of care will suffer. Right at the present time, at the VA in Topeka, the Chief of Personnel is telling new hirees in these grades, "You may never be advanced to higher than the beginning level."

I have also taken note here, as others who have testified, about the percentage of time that these grade level people put in in direct patient care. My staff, 95 percent of the staff, saw patients continually—that is, throughout the week. Eighty-seven percent, that's all they did. So the percent of staff time spent in direct care is very high.

I think if the goal of the administration is to really reduce the amount of cost to the Federal Government and the Veterans' Administration, they are looking at the wrong place at the right time, because the loss of these people is going to diminish the amount of care that we can provide for our veterans and for their families.

For example, when we have discharge plans for veterans in the general medical and surgical area, we can work them out rather quickly if we have trained personnel. But if we don't have trained personnel, it takes much longer. It always requires contact with families, with local physicians, with followup agencies, with many groups, and it just takes time. If you have a trained, carefully prepared person, with great skill and knowledge in handling it, you get it done much more quickly.

I think, if you're familiar with the management magazines in hospitals, you will note that if they can reduce one day from the treatment schedule of each person, they save a great deal of money. It is advised that that's the best way to do it. I suggest to you that the difference between trained people and untrained is much more than one day. So, in some ways, if we proceed with this project and this deescalation, we will be asking and receiving longer hospital stays, this in face of the fact that the numbers of World War II veterans in their upper years now, of whom I am one, we will be seeing a system that cannot manage the expanded need that will be coming in the direction of the Veterans' Administration hospitals.

So, I suggest to you that the need for a careful look at how this is being applied and how it really works out at the med center is different from what we receive from higher levels as to the plan for a 2-percent reduction. It will not stay at 2 percent. It will fluctuate from 2 to 10, maybe even higher, since attrition is the way that it happens. Even then it won't hit the right people that you really want to lose, if, indeed, you want to lose them.

Our hospital at Topeka has a very low number of management level people who are just management. It's very low. Almost all of the grades and the men and women in these grade levels are hands on, carefully trained, and important people to meet the needs of our veterans and their families.

I appreciate the opportunity to speak before you, and I am open to questions. I want to thank you for your attentiveness.

[The statement of Verdaine L. Holsteen appears at p. 91.]

Dr. ROWLAND of Georgia. I would like to express my appreciation very much to both of you for being here, to substantiate and reinforce what we have already heard from other witnesses. I think you have pretty well covered it, and I don't have any specific questions to ask either one of you.

Is there anyone that has any questions they want to ask? If not, again, I really appreciate very much your being here. Dr. Brown, I appreciate you being here throughout this entire hearing. That pleases me very much that you have been here.

If there are no further questions or comments, the hearing stands adjourned at this time.

[Whereupon, at 10:30 a.m., the subcommittee was adjourned.]

APPENDIX

STATEMENT OF
D. EARL BROWN, M.D.
ASSOCIATE DEPUTY CHIEF MEDICAL DIRECTOR
FOR OPERATIONS
DEPARTMENT OF MEDICINE AND SURGERY
VETERANS ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS AFFAIRS
HOUSE OF REPRESENTATIVES
APRIL 24, 1985

Mr. Chairman and Members of the Committee, I welcome this opportunity to discuss with you the impact on the VA of the President's Private Sector Survey on Cost Control (Grace Commission) recommendation to reduce the number of grade 11-15 positions in government by 2% per year for four years beginning in FY 1985. The grade 11-15 reduction program was initiated because reports showed that the proportion of government employees in grades 11-15 increased from 21% to 39% between 1959 and 1983. The Grace Commission found that the private sector has 50% fewer positions at the equivalent GS 11-15 level than the Federal government has. The Office of Personnel Management (OPM) feels 40% of this grade escalation results from poor management (misclassification/overgrading) and not from more complex programs or more sophisticated technology. To effect these reductions, the Office of Management and Budget (OMB) has withdrawn funds for these positions from the agency budget in Fiscal Years 1985 - 1989. OPM will monitor average grade and absolute reduction of grade 11-15 positions. Although position reductions will take place for four years, final savings are realized during the fifth year, FY 1989, because of an annualization factor.

The grade mix in the VA compares favorably to other Federal agencies and the private sector. The percents of grade 11-15 and equivalent positions are as follows:

Government Wide Average	39%
Private Sector Average	26%
VA Wide (including T-38)	28%
VA Wide (without T-38)	17.5%
DM&S Wide (including T-38)	27%
DM&S Wide (without T-38)	14.6%

The results of an OPM conducted analysis of VA grade 11-15 position management data were transmitted to the VA on November 6, 1984. Using only Title 5 positions, the VA ranked third best in effective position management out of the 22 largest agencies. Even with the inclusion of Title 38 positions, OPM reported VA position management statistics compared very favorably. In their report, OPM recommended that the VA reductions in grade 11-15 personnel be adjusted to 1.5% per year.

In FY 1985, OMB based recurring budget reductions for this program upon the salaries generated by both Title 5 and Title 38 grade 11-15 equivalents. In DM&S, the FY 1985 budget included a reduction of $8,164,000. $5,357,000 was identified from Title 38 positions; $2,807,000 from Title 5 positions. The VA successfully appealed to OMB and Congress the inclusion of Title 38 employees in determining budget reductions, and as a result, additional reductions in fiscal years 1986 - 1989 will be based upon Title 5 positions only. The $5,305,000 payroll costs generated by Title 38 employees under the medical care appropriation in the FY 1985 reduction has been restored to the FY 1986 budget, but not for FY 1985. Recurring budget reductions in DM&S over a five year period are now estimated at 67 million dollars.

Justification for the appeal to exempt Title 38 occupations from participating in this program was based upon the fact that existing grade and salary levels for many Title 38 occupations (i.e., physicians, nurses and dentists) are inadequate and the Department has been able to recruit and retain health care professionals only through a combination of legislative and administrative initiatives that include 'bonuses', scholarships, special rate ranges and premium pay. In addition, the Title 38 personnel system does not utilize usual classification standards to assign grade levels to individual health care professionals. Each individual is assigned to a grade based upon his or her qualifications and ability to contribute to delivery of care. Grade levels could be reduced only by purposefully not assigning an employee the grade level commensurate with his or her contributions. This approach of consciously under-utilizing professional skills and knowledges would have been extremely ineffective personnel management.

To implement this program in the VA in FY 1985, an Executive Committee, composed of the line Department Heads and other key staff officials and chaired by the Director, Office of Personnel and Labor Relations, was established to plan and oversee this program. The Committee is also charged with assessing the program effectiveness and recommending future directions to the Administrator of Veterans Affairs. Each organizational unit in the agency was assigned a target of GS 11-15 full time permanent positions to reach by September 30, 1985. These targets represent a 2% reduction in the number of full time permanent GS 11-15 employees "on board" as of March 31, 1984, with an adjustment for approved FY 1985 additions. DM&S, in turn, assigned a single reduction goal to each Region, to Central Office and to Veterans Canteen Service. To insure Regional Directors have maximum flexibility in meeting their goals, they were directed to assign individual reduction goals to each medical center within their regions. Regional Directors can make adjustments, as appropriate, to the facility targets during FY 1985.

The Department must reduce 442 positions before September 30, 1985, to achieve its FY 1985, grade 11-15 ceiling of 15,327. Based upon loss rates in the Department in previous years, we can expect 585 Title 5 grade 11-15 positions to become vacant during the next six months. The Department will achieve these goals through normal personnel turnover. Reorganizations involving reductions-in-force and downgrading of encumbered positions with the express purpose of achieving reduction goals will not occur. To meet these reduction goals, Medical Center Directors will evaluate all vacancies in the GS 11-15 range to determine if they can be eliminated or restructured at a lower grade level, closely monitor career promotions, and review organizational structures to determine if work can be accomplished with lower graded employees.

Of our GS 11-15 employees in DM&S, 68% are direct, "hands-on", health care professionals. Psychologists, social workers, pharmacists, medical technologists and audiologists are included among these occupations. The remaining 32% are largely composed of service chiefs and assistant service chiefs who provide for effective management of our medical centers. The number of grade 11-15 employees who could be hired into lower level administrative positions (i.e., personnel specialists, supply specialists) is not large enough to absorb the necessary reductions. All DM&S officials are making a concerted effort to ensure that patient care services to veterans continue to be provided effectively and efficiently. We need, however, to reserve judgement on the impact of this program in future years.

Mr. Chairman, this completes my statement. I and my colleagues will be pleased to respond to any questions that you or members of the subcommittee may have.

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

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B-203027

The Honorable William D. Ford
Chairman, Committee on Post Office
and Civil Service
House of Representatives

Dear Mr. Chairman:

Subject: Information on the Administration's Program to Reduce Grade 11-15 Positions (GAO/GGD-85-48)

This report responds to your request for information on justification for the Office of Personnel Management (OPM) and Office of Management and Budget's (OMB) program to reduce the number of grade 11-15 positions in the federal General Schedule (GS) and General Merit pay systems. This program was established to reduce approximately 40,000 of these positions over a 4-year period beginning in fiscal year 1985. According to OPM, the objectives of the program are to (1) save approximately $1.7 billion during the 4-year period and (2) improve position management in the federal government.

As of October 31, 1984, OPM statistics showed there were about 541,000 employees in grades 11-15 in the full-time federal white-collar workforce of 1,407,000 employees. OPM has not determined what the appropriate number of employees in grades 11-15 should be, but it believes that the results of several studies and analyses of federal workforce data show that too many employees are in these grade levels and the number should be reduced. Studies by the President's Private Sector Survey on Cost Control (the Grace Commission) and the Bureau of Labor Statistics (BLS), along with federal workforce average grade trends and OPM's position classification accuracy surveys were used to justify the program.

While we agree that position management should be improved whenever possible, we are not convinced that the studies cited provide a sound basis for initiating a governmentwide program to reduce 40,000 grade 11-15 positions.

In performing our work, we (1) reviewed the Grace Commission, OPM, BLS, and Congressional Budget Office (CBO) studies, prior GAO and other reports on classification and position management in the federal workforce, and OPM's Central Personnel Data File statistics; and (2) interviewed appropriate OPM, OMB, BLS, and CBO officials.

GRACE COMMISSION STUDY

The Grace Commission reported that about 26 percent of the white-collar workforce in the private sector is in levels similar to grades 11-15.[1] OPM therefore concluded that the federal government, with 39 percent of its workforce in these grades, has 50 percent more of its workforce at high grades than does the private sector.

Our review of the Commission's report indicates that the private sector data used may not be representative of the private sector as a whole. The Commission did not provide information on the representativeness of its private sector sample. It based its workforce estimates on the averages of five unidentified "national firms." The report also did not include information on

--the size of the firms,

--the type(s) of industry the firms represented,

--the definition of "national firm," and

--the methodology that was used to select the five firms. (The Department of Commerce's Bureau of the Census estimated in July 1983 there were 4.5 million firms in 84 different major industrial categories in the United States.)

INCREASE IN AVERAGE GRADE

OPM also used average grade statistics as support for the program. It stated that the average grade of full-time GS employees has steadily risen from 5.4 in 1950 to 6.7 in 1960, 7.8 in 1970, 8.1 in 1980, and 8.3 in 1983. OPM maintained that no more than 60 percent of the grade increase could be attributed to structural changes in the workforce, i.e., a greater proportion of employees in higher graded series because of the increasingly technical and complex nature of work performed. It attributed 8 percent of the grade increase to the changes made in certain governmentwide classification series, such as the one-grade increase granted to certain air traffic controllers in 1977. OPM concluded that approximately 32 percent of the grade increase was attributable to poor position management and inadequate position classification.

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[1] Report On Personnel Management, President's Private Sector Survey on Cost Control, Approved by the Subcommittee for the Full Executive Committee, Spring-Fall 1983, p. 91.

In a September 1984 report,[2] CBO stated that about two-thirds of the average grade increase seemed to relate to the changing character of governmental work and that classification upgradings could account for an additional 5 percent. CBO did not, however, conclude that the remaining increase was solely attributable to poor position management and inadequate position classification. It cited separations due to past reductions-in-force actions that have been distributed in such a way as to leave a higher average grade for the remaining pool of workers as another factor which contributes to grade escalation.

Also, in a report[3] on employment trends in the Department of Defense, we identified personnel policies and employment limitations in effect at various times that have produced some amount of grade escalation. These include such factors as the following:

--Hiring restrictions have encouraged agencies to hire employees already possessing specialized skills and experience to minimize the impact of staff shortages on operations. Since experienced personnel demand higher salaries and grades, hiring a few experienced personnel at higher grades instead of a larger number of entry level trainees (where attrition is greatest) raised the average grade.

--Attrition and reductions-in-force, when used to accomplish mandated reductions in federal employment levels, have tended to increase the average grade. In reductions-in-force, employee separations have occurred primarily in the lower grades because employees with the least federal service have been discharged first.

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[2] Reducing Grades Of The General Schedule Work Force, Congress of the United States, Congressional Budget Office, September 1984, p. 9.

[3] Employment Trends And Grade Controls In The DOD General Schedule Workforce (FPCD-81-52, July 28, 1981).

- --Contracting out of less complex and lower graded work, when used, has left a larger proportion of higher grade personnel.

- --Mission and program changes resulting from congressional or agency mandates have resulted in increases in grade levels.

POSITION CLASSIFICATION ACCURACY SURVEYS AND WAGE SURVEY DATA

OPM cited its 1974,[4] 1978,[5] and 1983[6] position classification accuracy surveys as indications that the federal government has a continuing overgrading problem. OPM's 1983 study showed that about 14 percent of the government's full-time permanent GS positions were overgraded. Its 1978 study indicated a governmentwide overgrading rate of about 12 percent of the full-time permanent GS positions, and its 1974 study showed an overgrading rate in selected agencies of about 13 percent in grades 12-15.

However, the 1978 and 1983 studies were not designed to identify overgrading rates in specific grade levels. Furthermore, the 1974 study was not designed to project governmentwide misclassification because the study was based on a review of selected occupations and agencies using a non-random, error-seeking sampling method.

In addition to the studies mentioned above, in its July 27, 1984, Federal Personnel Manual Bulletin 312-8, OPM cited a comparison of estimates of the number of federal positions in specific occupations with BLS private sector wage survey data to show that the grade 11 level is where the proportion of federal employees in the workforce becomes larger than that of the private sector. However, according to BLS staff responsible for this survey, the BLS data was not designed to be used to show occupational distribution of private sector employment.

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[4] Report On The Study Of Classification Accuracy In GS Grade Levels 12 Through 15, U. S. Civil Service Commission, Bureau of Personnel Management Evaluation, December 1974.

[5] Study Of Position Classification Accuracy In Executive Branch Occupations Under The General Schedule, U. S. Civil Service Commission, Bureau of Personnel Management Evaluation, 1978.

[6] A Report On Federal White-Collar Position Classification Accuracy, U. S. Office of Personnel Management, Agency Compliance and Evaluation, March 1983.

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In summary, we agree with the program's objective to improve position management in the federal government, but we are not convinced that OPM demonstrated a sound basis for a program to reduce 40,000 positions in grades 11-15 governmentwide. The federal and private sector comparisons were questionable because the representativeness of the private sector sample is unknown, all possible factors for the average grade increases were not considered, and it was not shown that positions in grades 11-15 were the main overgrading problem.

As requested by your office, we have not obtained agency comments on this report. We are sending a copy to the Chairwoman, Subcommittee on Compensation and Employee Benefits. As arranged with your office, unless the contents of this report are publicly announced earlier, we plan no further distribution until 10 days from the date of this report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

William J. Anderson
Director

Statement of

The American Legion

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WASHINGTON, D. C. 20006

PAUL S. EGAN, DEPUTY DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION

and

JOHN F. SOMMER, JR., DEPUTY DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION

before the

VETERANS AFFAIRS SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS
U.S. HOUSE OF REPRESENTATIVES

on

G.S. 11-15 GRADE REDUCTION

APRIL 24, 1985

STATEMENT OF JOHN F. SOMMER, JR., DEPUTY DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS AFFAIRS
HOUSE OF REPRESENTATIVES
APRIL 24, 1985

Mr. Chairman and Members of the Subcommittee:

The American Legion appreciates this opportunity to present its views on the impact of the reduction of grade GS 11 through 15 positions in the Veterans Administration. Because of the critical nature of the situation, we are limiting our remarks, for the most part, to the disastrous consequences of the grade reduction that we anticipate befalling the VA medical care system in the very near future.

National Commander Clarence M. Bacon expressed the concerns of The American Legion on this issue in his statement to the full Committee on September 18, 1984. At that time, National Commander Bacon cautioned the Committee that the Legion had assessed the impact of the initiative on the operation of DM&S, and that we were satisfied that the consequences to follow would be calamitous to the ability of VA to provide timely and quality care to the disabled veterans for whom it is responsible. Mr. Chairman, we are now seeing that prediction come true.

Without becoming emersed in rhetoric, the fact is the Grace Commission made a sweeping statement about the Federal Government having a profusion of positions in salary grades 11 through 15 as compared to the number of white collar employees in equivalent pay grades in the private sector. Based on this general assertion, the Director of the Office of Personnel Management obtusely issued a memorandum dated January 11, 1984 to the heads of all Federal departments and agencies, subject of which is improved position management of GS/GM 11-15 positions. The essence of the memorandum was that the Federal Government, with 39 percent of its workforce at GS/GM 11-15, has 50 percent more of its employees at these grades than the private sector, largely due to poor position management and that according to an OPM study, it is estimated that nearly 12 percent of those positions graded 12 through 15 are overgraded. The memorandum went on to describe the initiative chosen by OPM and the Office of Management and Budget, using budget reductions in the amount of $1.6 billion over four years and an estimated $800 million savings each year thereafter as the prime motivator for all agencies to reduce by 2 percent per year for four years the number of positions graded 11 through 15.

Mr. Chairman, anyone who knows anything about personnel management should be acutely aware that such a hypothesis cannot be applied evenly in an operation as vast, as widely dispersed, and as diverse as the Federal Government. Several facts must be stated with respect to the Veterans Administration. By virtue of its organizational structure VA, with over 250 field stations, requires the employment of more program managers in positions such as service chiefs and division chiefs than smaller, less decentralized Federal operations.

Having said that, it must be pointed out that available statistics show that if the Grace Commission's formula is applied to VA, the agency does not have nearly as many personnel in grades 11-15 as the private sector employs in equivalent positions. The

Grace Commission has estimated that 26 percent of the white collar employees in the private sector earn salaries equivalent to these Government grades. VA figures reflect that the agency has a 17.5 percent level of GS 11-15 positions - a much lower percentage than the private sector. So one must ask why VA is being forced to reduce the number of middle management positions when its average number of positions in the targeted grades is less than half that of the total Federal Government.

Mr. Chairman, The American Legion immediately involved itself in this situation. In January 1984, upon receipt of a copy of the OPM Director's memorandum, we initiated the collection of data for the purpose of assessing the potential damage the grade reduction initiative would have on the VA's Department of Medicine and Surgery.

Following an analysis of the preliminary information that was gathered, we formally expressed our concerns and objections to this initiative to the Administrator of Veterans Affairs on July 17, 1984. The response that we received on August 22, was less than encouraging. We were advised that VA is committed to improving the management of its GS 11-15 positions as part of the government-wide initiative - and that program plans for the implementation of this initiative during Fiscal Year 1985 were being developed in the agency. In this regard, it was stated that VA had submitted a request to the Office of Management and Budget that title 38 positions be excluded - but no mention was made of exempting those positions under title 5.

A permanent exemption of title 38 employees, a large number of whom are physicians and nurses, was granted effective in January 1985. However, funding in the amount of $5,357,000, representing the title 38 positions that, but for the exemption, would have been eliminated, was not replaced in the FY 1985 VA Budget. The Office of Management and Budget arbitrarily decided that the $5.3 million of "identified savings" was to be absorbed by VA.

Careful examination of the potential impact of the grade reduction initiative has produced findings that solidify our firm judgment that the Veterans Administration should be excluded from this exercise. At the absolute least, the Department of Medicine and Surgery should be totally exempted.

The results of an analysis of VA positions in grades 11 through 15, conducted by the Office of Personnel Management, was provided to the Veterans Administration in November 1984. Including both title 5 and title 38 positions, it was reported that VA position management, in comparison with other Federal agencies, was good. In considering title 5 positions only, VA was classed third out of the twenty-two largest Federal agencies with respect to effective position management.

In comparing the title 5 positions in grades 11-15 to the total number of GS/GM employees in VA Department and Staff offices prior to implementation of the reduction, the Department of Medicine and Surgery, percentage-wise, ranked lowest in the Agency with a figure of 14.6 percent. To illustrate the significance of this figure, in DM&S, title 5 positions comprise 60 percent of the employment in grades 11-15.

Some examples of the title 5 positions that fall within the affected grades are as follows:

Pharmacists
Social Workers
Dietitians
Psychologists
Therapists
Audiologists
Rehabilitation Technicians
Nuclear Medicine Technologists
Radiology Technicians
Inhalation Therapy Technicians
Pulmonary Function Technicians
Voluntary Service Officers

These are certainly not all of the positions under title 5, but they are examples of some of those that provide hands-on care in the medical care facilities.

It must be realized that 68 percent of all DM&S personnel in the grade 11-15 levels are involved in the provision of direct patient care to veterans. And the remainder serve as Associate Directors, chiefs of service and other management positions that are crucial to the overall administration and supervision of the provision of medical care in the VA medical centers.

The American Legion is firmly convinced that if the reduction of personnel in these grades is not stopped, the quality and quantity of care provided by VA will be reduced to the point of rendering the VA medical care system totally ineffective.

Our Field Representatives are hearing horror stories from management officials at VA medical centers about the difficulties that are being incurred as a result of the reduction initiative.

The following excerpts from our Field Service site visit reports reflect the concerns that are being expressed across the country. We realize that other problems that are facing the medical centers are also mentioned in some cases, along with the comments on the grade reduction initiative. However, to maintain the credibility of the information by keeping it in the context in which it was given to our Field Representatives, the quoted material is taken directly from the site visit reports and therefore has not been edited.

VAMC WEST HAVEN, CONNECTICUT (March 26-30, 1984)

"The second force at work on this medical center's misery index is $82,000 dollars in grade reductions, GS 11-15. According to the Director, there is no question that these forced incentives to control costs will cause the hospital to establish a radical approach to and/or changes in programs. For example, one ward has had to be closed and another, or possibly two wards, will have to be deactivated. The staffs will be consolidated and then reduced through attrition. All the master level social workers are GS-11; when positions become available, social work associates will be hired to replace them. The same will hold true in Psychiatry and Psychology Services. The Director described this reduction in entrance levels as 'position engineering.'

"In FY 85, DRG adjustment and grade reductions (GS-11/15) can be expected to decrease the funding allocation for this facility by over 290,000 dollars."

VAMC DALLAS, TEXAS (March 26-30, 1984)

"Besides absorbing about 25% of the increased costs from the promotions related to the new nurse qualification standards, this Medical Center is slated to absorb $98,000 as part of the reductions of salary grades 11-15. The President's Private Sector Survey on Cost Control examined the grade structure within the Federal agencies. It was determined that there was a large number of middle management employees (grades 11-15). Consequently, OMB and OPM cut a percentage of dollars from each Federal agency's budget (about 2% of the salary dollars from the designated grade ranges) to encourage a reduction of personnel in these grades. By attrition or personnel action, each agency is to take action to 'get lean' in these positions. There is concern within the VA because employees within title 38, such as, physicians, dentists and nurses can be affected by this. VACO personnel indicated that relief would be sought so only classified positions, not those under title 38, are involved. At the medical center there was concern about the budget reduction, its ramifications and the effects on morale, since dollars will probably be recouped by hiring personnel at lower grade levels."

VAMC LONG BEACH, CALIFORNIA (April 9-17, 1984)

"The Center will also face an average grade reduction beginning in FY 1985 which will result in the loss of $115,696 salary funds. This grade reduction is a result of recommendations made in the recent Grace Commission Report. This report, as applied to the VA, may result in the loss of quality hands-on medical practitioners and result in a dimunition of patient care."

VAMC BAY PINES, FLORIDA (May 21-30, 1984)

"The amount of salary funds reduced for FY 1985 because of the OMB/OPM edict of GS/11-15 grade reductions amounted to $90,000. This policy was reported as hurting the recruitment and retention prospects of the medical center."

VAMC DURHAM, NORTH CAROLINA (June 12-18, 1984)

"Although this facility will gain dollars from the diagnosis-related groupings (DRGs) system of resource distribution, the costs of several combining factors, such as, the salary upgrades for medical technicians and nurses, and the lost dollars for reduction within salary grades 11-15, will require this facility to absorb $400,000 in expenditures from the FY 1985 budget. To absorb these costs FTEE will probably be dropped. Thus, the work force will be reduced approximately 15-20 cumulative FTEE over this two year period. One possible impact from this would be the inability to reopen the beds currently out of service during the renovation of the medical intensive care unit (MICU)."

VAMC SALISBURY, NORTH CAROLINA (June 21-27, 1984)

"For Fiscal Year (FY) 1985, $420,646 in expenditures or the equivalent of 16.4 FTEE must be absorbed. This is the result of the combination of several factors such as the half percent pay increase, the additional costs of nurse and technician promotions, and the dollar reduction for salary grades 11-15. This station has taken the position that it is so poorly staffed that it cannot afford a reduction in personnel and still provide a satisfactory and safe level of patient care.

"For FY 1985, the Center must absorb approximately $420,600 in expenditures or the equivalent of 16.4 Full-Time Employee Equivalents (FTEE). Rather than improving an already impoverished staffing level, a further cut into the existing paucity is projected. Top management has decided to reduce the work load rather than jeopardize patient care via a staffing reduction that cannot be absorbed. Before the FY 1985 budget this medical center identified a minimum of fifty-three (53) critical positions (FTEE) as necessary for the satisfactory provision of patient care. It has gained only 15 RN positions in the last five years, while the patient population has grown older and sicker, and requires more intensive nursing care. Now the budget mandates a work load reduction (or an unacceptable further reduction in personnel) when just the opposite is needed. The staffing requirements of this VAMC cannot continually be ignored or neglected. Additional funded FTEE must be allocated."

VAMC SALT LAKE CITY, UTAH (July 23-27, 1984)

"The hospital had $60,000 removed from the FY 1985 budget for GS-11/15 reductions in grade. The Director remarked that this policy will have an adverse impact on recruitment and retention of employees. Furthermore, the hospital does not have the staff positions to reduce. During the past several years a concerted effort has been made to review staff general service ratings. The hospital today cannot afford to reduce essential service personnel's grades. The Director noted that the $60,000 is most likely to affect all other funding accounts, i.e., drugs and supplies."

VAMC LEXINGTON, KENTUCKY (July 30-August 10, 1984)

"The budget for Fiscal Year (FY) 1984 has been tight, but it has been manageable since supplemental dollars were received. For FY 1985 significant dollars are scheduled to be absorbed due to factors beyond the control of the medical center. These factors involve health care costs, increased salary costs, for example, nurse promotions, and dollars lost to the reduction of grades 11-15 ($61,915). The budget cannot be managed unless these dollars are replaced. The decrease in funds is the equivalent of 19.8 FTEE, and there are not enough staff to absorb a reduction of that magnitude. Since the turnover in the psychiatric programs has increased, if necessary, the least destructive impact to absorb the lost dollars would be to close a 50-bed unit, according to top management.

"If there are no supplemental funds for the FY 1985 budget, this VAMC must absorb $478,000 of unmet, unfunded needs. Of this amount the medical center was assessed $61,915 as a reduction of its budget target allowance for the reduction of position grades 11-15. The total amount of dollars to be absorbed is the equivalent of 19.7 Full-Time Employee Equivalent (FTEE). There are not enough staff to absorb a reduction of this magnitude. Consequently, if there is no relief, management has indicated that the best available alternative appears to be a reduction in census by closing fifty psychiatric beds. No action has been initiated since word is awaited regarding the legislation before Congress which would fund these uncovered costs."

VAMC PROVIDENCE, RHODE ISLAND (September 5-11, 1984)

"The GS 11-15 grade reductions cost the Medical Center $40,883 which equals a loss of two Full-Time Equivalent Employees (FTEE).

The Director stated he hates to see this happen and eventually, GS-9's and 11's will be doing the same job."

VAMC FORT HARRISON, MONTANA (September 17-20, 1984)

"While the DRGs will bring in additional funds, the GS 11-15 grade reduction will cause a loss of $12,000. Implementation instructions have not been clear. No employees have been lost yet, but if they are, the ability to hire someone at a lower grade in this area of the United States will be very difficult."

VAMC TOGUS, MAINE (September 12-18, 1984)

"With the GS 11-15 grade reduction, the Office of Management and Budget (OMB) took $50,725 from the FY 1985 budget. This is equivalent to the loss of 2.5 Full-Time Employee Equivalent (FTEE). Overall, staffing was reported as adequate, however, losses such as those incurred by the grade reduction and DRGs will eventually have a grave impact."

VAMC ASHEVILLE, NORTH CAROLINA (September 17-21, 1984)

"For FY 1985 the medical center is scheduled to absorb the significant increased costs of pay raises, promotions, and health benefits, plus the reduction of salary dollars ($34,000) for grades 11-15.

"Upon questioning, the Director commented that the reduction of salary dollars for grades 11-15 will have a detrimental effect. Overall, it will negatively affect the quality of service because it will limit promotions and foster a reduced staff mobility. This will also possibly hurt the VA, in terms of recruiting quality personnel, because the reduction will impact on the salary incentives which can be offered."

VAMC ALBANY, NEW YORK (October 29-November 2, 1984)

"Approximately $50,000 was lost this fiscal year due to the GS 11-15 reduction imposed by the Office of Personnel Management (OPM). Title 5 employees took the brunt of the reduction because title 38 employees have been exempted this year. The detrimental effect this reduction will have on patient care cannot be expressed strongly enough. The restructuring of the position descriptions will effectively eliminate career ladders for title 5 employees. When vacancies occur, it will become more difficult to fill them with quality people. Most importantly, the morale of the title 5 employees will be affected. Without their full support, the team concept used at VAMCs will be of limited value."

VAMC BRONX, NEW YORK (November 5-9, 1984)

"Due to the GS 11-15 grade reduction, $79,746 was taken from the FY 1985 salary budget. The impact of this was that 11 FTE positions have been abolished and it was reported that more cuts will be made. Presently, the duty number of GS 11-15 is 153 and the target number is 145."

VAMC SYRACUSE, NEW YORK (November 5-9, 1984)

"The amount of money received through the DRGs was nearly offset by the $55,259 lost through the GS 11-15 reductions. This OPM mandate is expected to have a detrimental effect on the VAMC's ability to hire quality personnel, especially with the high tax rate in New York State. Pharmacy Service already has a problem retaining staff because the money is not commensurate with the heavy work load. Without a reprieve, it can only become worse."

VAMC EAST ORANGE, NEW JERSEY (December 7-14, 1984)

"Current Fiscal Year (FY) 1985 staffing and funding levels are lower than the hospital work load requires. The facility is projected to be short $1.4 million in operating funds during FY 1985. This figure is a cumulative medical center figure, including the 1985 Diagnostic Related Grouping (DRG) funding loss of $380,000, the GS 11/15 grade reduction funding loss of $80,000, projected pharmacy shortages and all other account shortages. The Center received an additional $480,000 in operating funds from the Medical Region for FY 1985. However, the facility was still faced with an operating deficit of $1 million for the fiscal year. To offset this shortage, 25 Full-Time Employee Equivalent (FTEE) positions were eliminated from the rolls through attrition for a savings of $600,000. The end result is that the facility still projects an operating deficit of close to $500,000 and is 25 FTEE fewer. With the FY 1986 budget projected to include new funding formulas for long-term care and ambulatory care, in addition to acute care, the medical center is not clear on what future funding levels will be."

VAMC JACKSON, MISSISSIPPI (January 28-February 1, 1985)

"The facility's FY 1985 budget was reduced by $30,000 for GS 11/15 grade reductions. All of the hospital's professional positions in these grades have been inventoried for any possible reductions. However, in order to comply with the intent of the grade reduction proposal the facility cannot comply with any grade cutbacks short of instituting hospital wide reductions in force. In essence, the $30,000 funding loss was absorbed within the Center's budget and no grade reductions were made. The Director noted that the grade reduction program would, if carried through, make hard to recruit positions even more difficult, reduce necessary upward mobility incentives, and make the delivery of quality health care more difficult to provide."

VAMC LITTLE ROCK, ARKANSAS (2 Divisions) (January 28-February 8, 1985)

"Nearly $123,000 was lost due to the GS 11-15 reductions. Although title 38 employees were exempt, the monies were not. This facility is programmed to lose 50 FTEE over the next four years to cover for the dollar losses. The positions that will be severely effected by this are pharmacists, psychologists, social workers, and technologists. The loss of any positions will be very damaging to this facility's ability to provide good care. It was reported that some areas are just treading water at this time. According to 1978 criteria, this facility should have received approximately 1,200 FTE with the activation of both new facilities. This was later trimmed to 800 FTE, but all that were actually received were 394 FTE. Approval was received to implement new programs, such as laser surgery, but to do so means swiping funds and FTE from other programs. Also, the gross space nearly doubled with the Little Rock activation, which adds extra time to daily travel routines.

"It is obvious that the employees at this health care facility are dedicated to providing the best possible assistance and care to veterans. This was visible throughout the survey and reinforced by veterans and their families. This care may become jeopardized. Current staffing levels are minimal. Management has maximized their efforts, and does not feel they are in a crisis situation, but the fact remains that some services are in need of additional FTE. The only way this can be accomplished is to weaken one service to enhance another. Relief does not appear to be on the horizon because the future budgets only reflect reductions. The reduction of GS 11-15 positions is expected to liquidate 50 FTE. Most of these are hands-on-care employees. Also, the ability to hire quality personnel will be stifled. The anticipated changes in the retirement system and pay cuts is also expected to damage their ability to recruit and retain quality people. An increase in staffing is needed, not a decrease. A loss of FTE will place a burden on all programs."

VAMC HIGHLAND DRIVE, PITTSBURGH, PENNSYLVANIA (March 18-22, 1985)

"The Medical Center Director reported that the facility will have to reduce approximately 12-13 positions to comply with the OPM grade reduction policy. Overall, the facility had $35,000 withdrawn from its FY 1985 budget due to this policy. The Medical Center has adopted a policy to reduce GS 11/15 positions through attrition before any actual staff reductions are implemented. To date the facility has adopted the strategy of maintaining several vacant positions rather than reduce any staff grades. The Director noted that this policy will have an adverse impact on future hiring if continued. Prospective employees will find that the lack of upward mobility is not sufficient incentive to seek government careers. The pharmacy service, social work and psychology service are pessimistic about the affect this policy will have on any future hiring. Also during the course of the survey the Chaplain Service received notification from VA Central Office that no new hirees can be assigned a grade higher than GS-10."

VAMC UNIVERSITY DRIVE, PITTSBURGH, PENNSYLVANIA (March 25-April 4, 1985)

"The facility had $72,000 withdrawn from its FY 1985 budget due to the OPM GS 11/15 grade reduction policy. The facility absorbed this loss rather than implement any forced reductions. Primarily the Medical Center is more concerned about the affect on future hiring than on the impact of current staff positions. Over a several year period of time the total amount of funds likely to be withdrawn from the facility's operating budget because of the grade deescalation policy will significantly reduce the facility's budget. Therefore the long-term affects of this policy are viewed more seriously than the impact of the first year of implementation.

"The facility's inability to attract quality personnel in the professional services affected by the OPM policy are viewed as a hindrance in providing the best service possible. This fact and the erosion of morale will in the long run be the most serious consequences of the OPM policy."

VAMC MANCHESTER, NEW HAMPSHIRE (March 18-22, 1985)

"Approximately $25,000 was lost from the FY 1985 budget as a result of the GS 11-15 reductions. The Director said they are slated to lose two positions in this category. A vacant social worker's position is being recruited at the entry (GS-9) level. The Chief of Building Management is being recruited at a GS-10 level. This may be a difficult position to fill because the Assistant Chief is also a GS-10."

VAMC PORTLAND, OREGON (March 18-28, 1985)

"A total of 21 positions are scheduled to be lost due to the reduction in positions with grades 11-15. Due to the way the base line for the reduction was determined, the facility reported it was particularly hit hard. A combination of vacant positions and additional programs contributes to the large assigned number.

"The plan for a grade reduction was described as abominable. The original purpose was to reduce management, but in the VA it is obviously having a significant impact on clinical positions. The Director has decided that no permanent full-time employees in grades 11-15 will be hired in an effort to reach the assigned ceiling. This may negatively impact on the quality of recruitment. However, given the uncertainties of the FY 1986 budget and the mandate to be at a certain ceiling, this is a necessary measure.

"There are already some indications of the effects of the grade reduction. The staff of the Veterans Outreach Program are finally eligible for conversion to permanent career status. For some, after years of commitment and contribution, they are eligible for permanent status, but there are no positions available because the hospital faces the task of reducing its grade level ceiling.

"This facility was recently given the funding and staff ceiling for an Adult Day Health Care Program. This will be one of a limited number of funded programs in the country. However, no additional ceiling was given for grades 11-15 which is the grade level of the necessary staff positions. If hospital ceiling is used for this program, it must detract from existing coverage.

"Immediate action is needed to resolve this situation because the hospitals are in the process of making the requisite changes. If relief is received at the end of the year or later, the impact will have already been established."

VAMC BROOKLYN, NEW YORK (2 Division) (March 19-29, 1985)

"In regard to the proposed GS 11/15 reductions, management predicts severe recruitment and retention problems which will have a negative impact on quality and effective health care. The Director commented that the proposal is not only demoralizing, but also suggests the impossible alternative of providing competent direct patient care by replacing para-professionals with highly developed skills, with personnel below a journeyman level. The Director also noted that some areas, such as Pharmacy and Social Work, can not now compete with the salaries and/or benefits being offered by the private sector and that any suggested reduction in grade will only serve to further erode successful and needed programs."

VAMC DENVER, COLORADO (March 25-29, 1985)

"A great loss will be experienced at this facility because of the impact of the GS 11-15 reduction according to the Director. A total of $55,000 was lost from the FY 1985 budget which is equivalent to 2.5 - 3.0 FTEE. Presently, there are 109 employees in the grade level and the reduction target is for 92.0 by September 30, 1985. Per the Regional Director, 22 positions had to be lost, and presently 17 positions must be reduced by the date previously specified. The loss of so many employees is of critical concern to hospital management, especially regarding being able to accomplish the assigned mission of the Medical Center."

VAMC NORTHPORT, NEW YORK (March 25-29, 1985)

"Over $55,000 was deducted from the 1985 targeted allowance for GS 11-15 reductions. Position wise, Pharmacy Service will take the brunt of the reduction's fallout. Currently, the VA cannot compete with the community or the State of New York. When the unit dose was being implemented at the start of FY 1984, 22 additional positions were received. Thirty-five pharmacists had to be hired to fill these positions. During the first year, thirteen pharmacists left for better paying jobs after being trained by the VA. Morale among the staff is deteriorating because promotions from GS-9 to GS-11 after one year are being held up. These same problems are also occurring in other services, such as, social work and psychology. The future stability of these services is being severely undermined."

VAMC ST. LOUIS, MISSOURI (2 Division) (January 18-February 8, 1985)

I. OBSERVATIONS

"At the time of the survey, a hiring freeze was placed on 6 GS 11/15 positions which have occurred through attrition. There are presently 243 of this position caliber assigned to both divisions. Management does not believe it can reach a ceiling of 229 by the required deadline through attrition only. Of the 29 services directly affected by this mandate, only six have 10 or more of these positions and only two of those did not report additional staffing needs. Social Work, Pharmacy and Psychology, which have approximately the highest number of GS 11/15 positions of the six services, reported that any further reductions would have a devasting affect on their ability to perform their assigned missions. However, management commented that reduction in any of the other services could possibly destroy those programs so there is little choice than to focus on the above mentioned six services. The result could be an elimination of, or certainly a reduction in, certain programs within the services."

II. PHARMACY

"In regard to GS 11-15 reductions, the Chief related that the difficulty in recruiting GS 11 pharmacists has been the lack of selling points such as described above and hiring a qualified pharmacist at a GS-9 level would be impossible. A reduction in professional staff would result in a cut back of services and according to the Chief, would destroy the clinical aspect of Unit Dose leaving pharmacy as nothing more than a distribution service. The potential for medication errors would be enormous. It should be noted that the above five vacancies had to be filled with students acting as technicians to keep the workflow going. Both facilities are hard pressed with the main area of concern in outpatient care."

III. SOCIAL WORK SERVICE

"The Chief imparted that if the threat of the GS 11/15 reductions is carried through the quality of care will be decreased and a proven and successful program will be ruined. Social Work Service is one of the several hospital programs that will be hurt by this movement. According to the Chief, those in authority either do not understand or have forgotten that social work is part of the backbone of the veteran's treatment program. They are forgetting the large number of outpatients needing assistance. They are forgetting all of the community programs, Prisoners of War, and other special programs overseen by social workers. Most importantly, they are forgetting that psycho-social needs are directly related to the health care needs of these deserving veterans. A reduction in paraprofessionals will play havoc on declining programs in the private sector. It will be a matter of days or hours before the veteran is returned to the hospital. The recidivism rate will be enormous. The outcome will be yesteryears revolving door policy."

IV. PROFESSIONAL SERVICES

"The COS considers the GS 11/15 reductions to be the 'single most destructive action towards destroying the VA than anything else since its inception'. According to the COS, the clinical staff must have administrative support to provide quality control. Without this support, the COS stated that quality assurance will suffer."

V. CONCLUSIONS

"The reduction in para-professional grades GS 11/15 is having a direct effect on this hospital's ability to perform its mission to say nothing of the devastating affect on staff morale. The result of this action will be a group of technocrats (nonprofessionals) attempting to provide support to a limited number of professionals. Care to the veterans will be diminished and mediocrity could become the password for direct patient care. Health care needs of the veteran will be eroded. The Chief of Staff is right in saying this act is the single most destructive action towards destroying the Veterans Administration. It could also be added that this action is a move to higher recidivism."

Not only is the reduction initiative eliminating positions necessary for the provision of health care, but it is also causing adjunct problems. Employees hired in grades below grade 11 are not being promoted. Aside from negatively affecting the morale of individuals currently employed in these positions, it is hampering the ability of VA to recruit and retain new employees to fill vacancies in positions graded just below the targeted level because of the limited to non-existent possibility of promotion for an indefinite period of time. We understand that this is particularly true with respect to recruiting Pharmacists at several medical centers, as illustrated in several of the excerpts from our site visit reports.

The Readjustment Counseling Service is also experiencing difficulties in filling the 55 full-time permanent appointments to staff the 52 new Vet Centers authorized by Congress last year.

Mr. Chairman, we shall summarize the salient points that have been set forth in this statement, and reemphasize the extreme concerns of The American Legion, with respect to the fate of the Department of Medicine and Surgery, absent its exemption from the GS 11 through 15 grade reduction initiative.

The Veterans Administration, as an agency, should not have been included in the reduction initiative from the outset. If the Office of Personnel Management and the Office of Management and Budget had first reviewed the position structure of VA prior to taking a shotgun approach to the alleged Government-wide management escalation that was painted in broad strokes by the Grace Commission, this fact could have been obvious.

After much coaxing, the Administrator did request the exclusion of title 38 positions in the Department of Medicine and Surgery, the majority of which are physicians and nurses, from the reduction initiative. The request was granted by OMB, but the funds were not restored in the FY 1985 budget to support these positions. OMB irrationally decided that the over $5.35 million was to be absorbed by VA.

The result of this decision now has left the grade 11 through 15 positions under title 5 vulnerable to the 2 percent per year reduction. The Department of Medicine and Surgery at 14.6 percent, had the lowest rate of title 5 positions at this grade level compared to total employment, of any department or staff office in the Veterans Administration prior to implementation of the reduction initiative. Title 5 positions in DM&S comprise 60 percent of the department's employment in the affected grades.

Sixty-eight percent of all DM&S personnel employed in the grade 11 through 15 levels are involved in the direct provision of health care to veterans. The remainder serve in critical management positions that are necessary for the administration and supervision of the provision of health care to veterans.

To satisfy the goals that have been imposed upon the Department of Medicine and Surgery, it has been necessary for Hospital Directors to deny promotion of eligible personnel to grade 11 positions. Some important positions have been abolished. Vacancies, some of which existed prior to implementation of the initiative, have not been filled. System-wide shortages of Pharmacists, Social Workers, Psychologists, and other key personnel are materializing.

PL 98-371 (July 18, 1984), provided VA with additional FTE and funds to expand the Readjustment Counseling Program by 52 new Vet Centers. The Committee Report accompanying the measure specified that 55 of the 220 new hires for the program could be career-type appointments. As of April 12, 30 of the new positions in grades 11 through 15 had been filled. Out of the 30, only 7 were full-time career employees.

Recruitment and in many cases retention of employees in some critical positions has become almost nonexistent because of the lack of potential for promotion. And growing numbers of DM&S officials and employees are viewing the impending reduction of a minimum of over 1,400 health care personnel as the beginning of the end of the provision of quality medical care to veterans as we know it. Amidst all of this havoc, the Administrator has dug in his heels, and refused to seek an exemption of title 5 positions.

Mr. Chairman, The American Legion considers itself a responsible representative of veterans, and does not make a practice of preaching doom and gloom. However, as we predicted over a year ago, the Department of Medicine and Surgery is now reeling under the impact of the illogically conceived grade reduction initiative. The medical care system cannot absorb the reductions that have been insensitively forced upon it by OMB. The practice of medicine cannot be equated with the shuffling of paper. Thus DM&S does not have the ability of other agencies to accept these reductions without a direct contradictory effect upon its ability to provide medical care.

The situation now existing within the Department of Medicine and Surgery is critical. Without substantial relief it can do nothing but get worse. It is obvious that no further consideration will be given this abominable and catastrophic situation by the Office of Management and Budget, and apparently the Administrator of Veterans Affairs.

Therefore, Congressional intervention appears to be the only possible salvation of the VA health care program, and its mission of providing quality medical care to veterans; conducting medical and scientific research for the good of all mankind; affording medical training and education to health care professionals; and serving as primary medical backup to the Department of Defense in case of national emergency.

The American Legion emphatically urges that this Subcommittee and the entire Congress promptly lend swift and serious consideration to such intervention before total and irreparable damage is wrought upon the VA medical care system.

Mr. Chairman, that completes our statement.

STATEMENT OF
RONALD W. DRACH
NATIONAL EMPLOYMENT DIRECTOR
DISABLED AMERICAN VETERANS
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
APRIL 24, 1985

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the more than 1,000,000 members of the Disabled American Veterans, I would like to take this opportunity to thank you for allowing us to appear before you today to discuss the joint effort of the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) to reduce the number of positions in the GS 11-15 and equivalent grade ranges.

Mr. Chairman, this effort was announced under the guise of a program to improve position management and reduce the number of supervisory, administrative, technical and professional positions in those aforementioned grade levels. We believe, however, Mr. Chairman, this initiative is aimed at reducing budgetary outlays and has little to do with improving position management.

This effort was prompted not by any internal executive branch studies, not by any study completed by GAO, not the result of any "whistle blower" attempts to improve the federal government, but rather, Mr. Chairman, by the President's Private Sector Survey on Cost Control, commonly referred to as the Grace Commission.

Mr. Chairman, while we realize that this hearing is not intended to address the Grace Commission's recommendations or its members, I would like the record to reflect that J. Peter Grace has very proudly professed that his Commission was made up of volunteer members from the private sector at no cost to the federal government. We find it ironic, however, Mr. Chairman, that subsequent to the release of the Commission report, Mr. Grace has published a book on the findings which sells at a whopping $19.95. It appears that while the members of the Commission may have "volunteered" their time with no intent to derive any personal gain, J. Peter Grace, in addition to personal satisfaction, is not adverse to personal monetary gain.

Mr. Chairman, we are discussing this issue because the Grace Commission estimates that 26% of all white collar employees in the private sector have salaries equivalent to the GS 11-15 range (the entry level GS-11 salary is $26,381 and the maximum GS-15 step 10 salary is $67,940).

Mr. Chairman, we would like to point out that while this salary range may seem quite generous, it cannot and should not be considered excessive if the federal government is expected to recruit and retain the most qualified people possible. In addition, we see no logic in a premise that says the federal government must have a work force which mirrors that of the private sector.

Mr. Chairman, the federal government, by virtue of being primarily a service industry, should and must operate differently then the private sector mix of industry and service. It is ironic, Mr. Chairman, that while many studies have been conducted showing that federal employees continue to lag behind private sector employees in pay for comparable professions, the executive branch makes no effort to obtain parity but rather, argues that the studies are not accurate. It is interesting that OMB/OPM accepts one study from the Grace Commission as being totally valid yet, discounts other studies that produce valid and documented findings regarding federal employees.

Mr. Chairman, despite opposition from the Congress, veterans' organizations and other interested groups, we fear that OMB and OPM will pursue their efforts to reduce the number of positions in these grade levels. Given that, we believe the approach taken should differ from the one currently in place. If in fact the private sector has 26% of its white collar employees in those salary ranges and the federal government has 39% in similar salary ranges, why not just look at those agencies and departments who are "top heavy" in high level management according to the Grace Commission estimate?

The Veterans Administration certainly does not fall into this category as the VA approximates only 27.7% of its employees in those grade ranges. Of that total, 17.5% were hired under the authority contained in Title 5, USC, and the remainder hired under the authority contained in Title 38, USC.

Title 38 employees are health care professionals and as we all know, the Veterans Administration has had significant difficulty in recruiting health care professionals because of low salary scales. In fact, the Congress, in an attempt to allow the Veterans Administration more flexibility, created a system whereby physicians and other health care professionals can be paid a "bonus" to avoid the current salary scale problem.

Reducing the number of GS 11-15 VA health care employees will do nothing but adversely impact upon the quality of health care for our nation's sick and disabled veterans. We do not think this type of burden should be placed on our nation's sick and disabled veterans, who have already sacrificed their fair share for their country. Mr. Chairman, it would just be impossible for the VA to recruit and retain health care professionals at a level below GS-11.

Mr. Chairman, it is OPM's position that 40% of the "over grading" has resulted from poor management, i.e., misclassification and over grading, rather than additional complexity of programs or sophisticated technology. While we do not have any information to refute that estimate, it should be pointed out that the federal government, in the last 20 years, has assumed more complex programs and sophisticated technology in administering benefits and services to an increasing number of beneficiaries.

However, if we accept that 40% of the problem stems from poor management, authority already exists for agencies to conduct "desk audits" and, where appropriate, reduce the grade level of incumbents in these positions. We think it patently unfair to implement an indiscriminate and arbitrary across-the-board reduction which, by its very nature, may pass over 40% of the problem -- allowing a continuation of over grading and over classification in certain jobs and job categories. That approach. In our opinion, is the epitome of poor management, the type of poor management that may have been the cause of this alleged government wide problem.

Mr. Chairman, other information recently brought to our attention compels us to question OMB's authority to withhold funds for these positions. Attached to my statement is a copy of a letter from Joseph C. Zengerle, Esq., associated with the law firm of Bingham, Dana, and Gould, addressed to National Director of Services, Charles E. Joeckel, Jr. of the Disabled American Veterans.

In Mr. Zengerle's letter, he points out in part:

> With respect to appropriations for the employment of VA personnel under the VA appropriation accounts of medical care, medical and prosthetic research, and medical administration and miscellaneous operating expenses..., federal law provides that, 'the Director of the Office of Management and Budget shall...provide to the Veterans Administration...such funded personnel ceiling and the funds necessary to achieve such ceiling.' (Emphasis added) 38 U.S.C., Section 5010(a)(4)(B).

It is our belief, Mr. Chairman, based on the aforementioned statutory responsibility, that OMB cannot withhold funds.

In conclusion, Mr. Chairman, we believe that if OMB and OPM persist in this effort, they should do so by first taking the following steps:

1. perform a desk audit and reduce appropriately those positions in question which are over graded or improperly classified; and
2. impose proportional reductions on those agencies that have most contributed to the problem, i.e., if an executive branch department or agency has 50% of its employees in those grade levels, it should be compelled to reduce that percentage to the private sector average of 26%.

That concludes my statement, Mr. Chairman, I will be happy to answer any questions you may have.

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August 9, 1984

Mr. Charles E. Joeckel, Jr.
National Director of Services
Disabled American Veterans
807 Maine Avenue, S.W.
Washington, D.C. 20024

BY HAND

Dear Butch:

Your column in this month's DAV Magazine concerning OMB's imposition of middle-grade staff cuts on the VA raises an important question.

You state that OMB has "broad discretionary authority in the allocation of federal funds" (emphasis added), and therefore could impose these cuts on the VA through withholding appropriated funds. OMB's control over funds may not be as broad as you describe in this particular circumstance, as I learned when representing Cong. Bonoir, Sen. Cranston and others in the impoundment lawsuit we filed on their behalf against OMB Director David Stockman in 1981.

With respect to appropriations for the employment of VA personnel under the VA appropriation accounts of medical care, medical and prosthetic research, and medical administration and miscellaneous operating expenses (called the "funded personnel ceiling"), federal law provides that "the Director of the Office of Management and Budget shall . . . provide to the Veterans' Administration . . . such funded personnel ceiling and the funds necessary to achieve such ceiling." (Emphasis added) 38 U.S.C. § 5010(a)(4)(B).

Thus, concerning these VA health-care personnel, OMB would not appear to have the discretion you described in the article. The statute's use of the word "shall" creates a mandatory duty on OMB to provide the VA with all funds appropriated for such personnel. Refusal to provide these funds would seem to constitute an unlawful impoundment under the Congressional Budget and Impoundment Control Act of 1974. Although the Act allows the Executive Branch to propose deferrals or rescissions of most appropriated funds, that power does not apply to any law which "requires the obligation of budget authority or the making of outlays thereunder." 2 U.S.C. § 682(4). This exception for mandatory spending statutes seems clearly to apply to 38 U.S.C. § 5010(a)(4).

I thought you might find this information useful on a timely basis, so I have had it hand-delivered.

With best wishes.

Sincerely,

Joseph C. Zengerle

JCZ/jr
cc: Mr. John F. Heilman

VETERANS OF FOREIGN WARS OF THE UNITED STATES

OFFICE OF THE DIRECTOR

STATEMENT OF

JAMES N. MAGILL, ASSISTANT DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

PERSONNEL REDUCTION IN GRADES GS 11 THROUGH 15

WASHINGTON, D.C. APRIL 24, 1985

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the privilege of appearing before this distinguished Subcommittee to present the views of the Veterans of Foreign Wars of the United States with respect to the personnel reduction in grades GS 11 through 15 in the general workforce and its impact on the Veterans Administration.

Mr. Chairman, in its report, the President's Private Sector Survey on Cost Control (Grace Commission) accuses the Federal Government of being managerially over staffed in the GS/GM 11-15 classification range. To support these "findings," the Commission estimates that 26 percent of the white collar employees in the private sector earn salaries equivalent to the GS/GM 11-15 range while the Federal Government has 39 percent of its positions within these classification schedules. As a result, the Commission recommended the Federal Government immediately reduce its level of GS 11 through 15 employees in order that the government be more in line with the private sector in mid-level management personnel. OMB agreed to this recommendation and directed OPM to implement a

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two percent across-the-board reduction of these employees in FY '85, followed by similar reductions during the next four fiscal years. Should the Veterans Administration be required to comply with this directive, Mr. Chairman, the impact on the VA's ability to provide the high level of health care we expect and have been accustomed to would be disasterous!

Whether or not the Commission's assumptions as to the actual percent of middle management in the private sector are valid should not be of contention. What is of crucial importance is the fact that the VA, with a documented 16.9 percent middle management personnel level, is clearly well below the private sector percentage and should without question be automatically exempted from the reduction. In fact, any department or agency that is below the private sector level should enjoy the same exemption. Fortunately, to some extent, the Administration did recognize the unique nature of the VA health care personnel requirement by granting an exemption for Title 38 employees for FY '85. However, this exemption, is for just one year, does not eliminiate the two percent reduction in funding and does not include Title 5 employees.

In order to ensure the continued high quality health care supplied by the VA, Title 5 employees within the VA health care system must be excluded from the two percent reduction. These employees, the backbone of the support functions, include Psychologists, Social Workers, Physical Therapists, Audiologist, Pharmacists, and Medical Technicians. Of these Title 5 employees at the GS 11 through 15 grade level, 68 percent are involved in direct patient care. Any reduction in this level and classification can only put in jeopardy the total health care delivery system. It must also be noted at this point, the Commission's original intent was to reduce the Federal Government's managerial overload.

The VA's Title 5 employees in question are not managers per se, but health care professionals placed in the GS 11-15 pay schedule for recruitment and retention purposes. The reduction in numbers of these employee positions would do nothing to satisfy the Grace Commission objective of addressing the "too many Chiefs and not enough Indians," phenomenon.

Mr. Chairman, with respect to Title 38 employees we believe they should continue to be exempt from the two percent employee reduction and that funding not continue to be withheld from the VA budget based upon that two percent reduction in staffing. Even though Doctors, Nurses, etc... may, in a remote sense, be considered managers, that definition is certainly secondary to their being health care professionals. The reduction of their GS rating by OMB would only serve to undermine the intent of the Congress when it approved legislation providing for a separate personnel system enabling the VA to be more competitive with the private sector in attracting and retaining these critically needed professionals. Indeed, it would be most difficult to attract and retain doctors and nurses at a pay scale lower than one already considered inadequate!

We believe every effort must be made to ensure that veterans continue to receive high quality health care. The Grace Commission recommendation discussed here today not only is unwarranted but is a direct threat to the VA's ability to serve our nation's veterans. Appended to my statement, for your review, is a copy of our current Resolution entitled "VA Personnel Reduction." This concludes my testimony. I will be happy to respond to any questions you may have.

Resolution No. 734

VA PERSONNEL REDUCTION

WHEREAS, the Office of Personnel Management has established a four-year personnel program that will reduce federal personnel in grades GS/GM 11-15 by a target of two percent per year; and

WHEREAS, the Office of Management and Budget has adjusted each federal agency's FY '85 budget authority for personnel compensation by an amount that reflects a two percent reduction of the aggregate salary of positions in the GS/GM 11-15 band; and

WHEREAS, the proposed reduction of personnel in the GS/GM 11-15 band will have an adverse affect upon the Veterans Administration's ability to provide services to veterans as mandated by law; now, therefore

BE IT RESOLVED, that the Veterans of Foreign Wars opposes the application of this personnel reduction program to the Veterans Administration; and

BE IT FURTHER RESOLVED, that the Veterans of Foreign Wars requests that funds deleted from the Veterans Administration FY '85 budget authority for personnel compensation in support of this personnel reduction program be restored in full by the Office of Management and Budget.

Adopted by the 85th National Convention of the Veterans of Foreign Wars of the United States held in Chicago, Illinois, August 17-24, 1984.

American
Psychological
Association

TESTIMONY OF

ORVILLE LIPS, PH.D.

Chief, Psychological Services

VA Medical Center; North Chicago, Illinois

on behalf of

THE ASSOCIATION OF VA CHIEF PSYCHOLOGISTS

and

THE AMERICAN PSYCHOLOGICAL ASSOCIATION

before the

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON VETERANS' AFFAIRS

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

Hearings on the "Proposal for Grade Reduction for VA Employees"

April 24, 1985

Representative G.V. (Sonny) Montgomery, Chair

1200 Seventeenth St., N.W
Washington, D.C. 20036
(202) 955-7600

Mr. Chairman, and members of the Committee, I am Dr. Orville Lips, President of the Association of VA Chief Psychologists, and the Chief of Psychological Services, VA Medical Center, North Chicago, Illinois. On behalf of the Association of VA Chief Psychologists and the American Psychological Association, I am pleased to have this opportunity to comment on the process of implementation of grade reductions within the Veterans Administration and the damage these reductions will have on the quality of health care programs within the VA health care system.

The Association of VA Chief Psychologists is the member organization for the 154 chief psychologists within the VA system. Chief psychologists are the administrative department heads, who develop treatment, training, and research programs, and supervise the work of the over 1,200 staff psychologists within the VA Department of Medicine and Surgery.

The American Psychological Association, representing over 76,000 members, is the primary national psychology organization. The Association is active in promoting responsive concern by the profession on a variety of social and public policy issues; disseminating psychological knowledge to enhance and increase human progress and well-being; developing standards of education, ethical conduct, and professional practice; and promoting research by working to improve research methods and conditions. The APA has a long and proven record of working with the VA to provide exemplary service to our nation's veterans.

Our primary concern in coming before this Committee today is to present to you our position regarding the Administration proposal, delivered through the Office of Management and Budget and Office of Personnel Management, to reduce VA personnel through staff and grade level reductions. I must state from the beginning that the Association of VA Chief Psychologists and the American Psychological Association oppose the staff and grade reduction proposal and its current implementation.

These proposals grew out of the President's Private Sector Survey on Cost Control, known as the Grace Commission, which estimated that there was a "grade bulge" in the number of GS/GM 11-15 positions in the Federal workforce relative to the private sector, and recommended a number of changes regarding the VA's management of its benefits and health care programs. To implement the Commission recommendations on "Improved Position Management," the VA issued Circular 10-84-199 (November 20, 1985) which presented the Administration position (complete circular is attached):

> "The Office of Management and Budget (OMB) and Office of Personnel Management (OPM) have developed a program which will decrease the number of GS/GM 11-15 positions in the government by 2% in FY 85. Positions abolished at the GS/GM 11-15 level may be restructured and established at grades 1-10. To effect these reductions, OMB has withdrawn funds for these reductions from the Aging budget in Fiscal Year 1985.

Title 38 . . . positions [physicians, nurses, optometrists, podiatrists, dentists] are excluded from program controls."

We oppose the Administration's proposal for staff and grade reductions on two grounds. First, that the "grade bulge" in the number of GS/GM 11-15 positions used to justify the reductions does not exist within the VA Department of Medicine and Surgery. GS 11-15's comprise only 14.7% of the total Department of Medicine and Surgery (DM&S) workforce (approximately 15,000 of 104,000) as compared to 33.4% in other VA Departments (approximately 6,200 of 18,500).

Second, the staff and grade reductions will be detrimental to the VA health care system and, thus, to our veterans. The vast majority of the DM&S staff in grades 11-15 are professional direct service health care practitioners. The exemption of the health care practitioners under Title 38, while supportable, provides a very narrow view and a lack of understanding of the complexity of the health care needs and services provided to our veterans. There are numerous VA health care practitioners, including psychologists, under Title 5 who were not exempted from the staff and grade reductions. The policy of reducing the staff and grade levels of health care practitioners under Title 5, and exempting other health care practitioners under Title 38, can only work to the detriment of quality health care within the Veterans Administration.

This will happen in two ways. One will be that non-exempted health care practitioners will seek employment outside the the VA health care system rather than accept grade reductions or poor working conditions due to staff reductions, and thus the VA will loose experienced and well-qualified personnel. The second is that the VA will experience difficulty recruiting and hiring high quality professionals to work in the VA health care system. In addition, this will likely result in a high turnover rate of practitioners within the VA, where only the new-to-the-field personnel will accept employment, and the more experienced will leave to assume appropriate level positions in the private sector.

How will this hurt the VA? It is difficult to imagine how the VA will be able to maintain the current range of quality care programs without well-trained and experienced health care staff to provide the program planning and development, supervision, and service delivery that have become the standard for comparison in such areas as rehabilitation, ambulatory and self-care, the management of chronic patients, post-stroke care, Post-Traumatic Stress Disorder (PTSD) counseling, and alcohol and drug treatment programs.

How will this hurt veterans? As these quality care programs are diminished due to the lack of high quality health care personnel, it is the veterans who will suffer most. The American Legion has stated that the most frequent users of the VA health care system are "the oldest, the poorest, and the sickest of our nations' veteran population." They are the veterans who are least likely to be covered by private health insurance plans and who, at best, will be inadequately covered under Medicare and Medicaid. In short, the VA often provides services to those who have no where else to go for comprehensive health care. As a nation we can do no less than stand by our veterans in their time of need.

I have thus far spoken generally. Let me now focus on my own profession of psychology as an example of the detrimental impact that the staff and grade reductions will have on the quality of VA health care. Shortly after W.W.II, the VA recognized that traditional medical approaches were inadequate to meet the needs of large numbers of casualties, many of whom were psychological casualties of large-scale modern warfare, suffering from what we now recognize as PTSD and other combat-related disorders. At that time, the leadership of DM&S developed a policy of, and made a commitment to, a comprehensive, holistic health care delivery system, and particularly to the integration of mental health care with physical health care. To implement this approach, DM&S contracted with the American Psychological Association in 1946 to create the VA Psychology Training Program--an extensive system of faculty, graduate students and predoctoral internship support for veterans in the field of psychology, and for non-veterans who wished to train within the VA system.

This nearly four decade commitment to increasing the psychological services available to veterans has succeeded. The VA currently is the largest single employer of doctorally trained psychologists in the country. The qualification standards for psychologists working in the VA DM&S are the highest of any government agency, including the Department of Defense, requiring a doctoral degree from an APA accredited graduate program and an APA accredited, full time internship. This dedication to providing quality psychological services to veterans has been a hallmark of the VA and, in our judgment, of great benefit to this nation's veterans. It is fair to say that the VA was the birthplace of modern clinical and counseling psychology, and continues to provide a significant proportion of the internship training for new psychologists. Today more than 1,400 doctoral-level psychologists work full-time in the VA DM&S, 66 percent of them are VA-trained.

Psychologists serve our veterans and the Veterans Administration in several capacities. As direct service practitioners, psychologists conduct assessments and evaluations of patients, provide psychotherapy (e.g., individual, group, marital and family), therapeutic programming, and referral of patients to specialized psychological services (e.g., biofeedback, hypnotherapy, neuropsychology, vocational rehabilitation). As consultants, psychologists provide educational and clinical consultation services to other health care professionals, related to such areas as dental pain and anxiety and with somatic problems. As researchers, psychologists are working in such areas as preventive medicine and patient compliance with treatment. And as administrators, psychologists have responsibility for program coordination with halfway houses, multi-disciplinary therapy programs and alcohol dependence treatment programs. In addition, DM&S psychologists have led the VA in the development of some of the greatest innovations in health care. These include the creation and operation of mental hygiene clinics, day hospitals and day treatment programs, satellite clinics, drug treatment units and alchohol treatment programs, and the treatment of Post-Traumatic Stress Disorders.

The major clinical programs which have been pioneered, researched and evaluated by psychologists in DM&S, and which have since gained national recognition for the VA throughout the non-VA health care community include:

- o Operant conditioning programs for both acute and chronic patient populations
- o Programs emphasizing self-responsibility for disabled and long-term psychotic patients
- o Biofeedback and relaxation methods for the treatment of severe tension, anxiety and chronic pain
- o The neuropsychological diagnosis and treatment of various brain dysfunctions
- o Crisis intervention and rehabilitation management with spinal cord injury problems
- o Marital and family therapy systems
- o Optimal methods for crisis intervention and significant research in suicide and homocide
- o Special treatment programs for staff who deal with death and dying
- o The effective application of behavior modification in treating chronic cardiovascular problems and the treatment of the psychological connection of renal dialysis
- o Major contributions to cooperative studies on the effective treatment of schizophrenia
- o Extensive research on the efficacy of psychotherapy
- o The development of innovative approaches in psychotherapy, including intensive short-term approaches
- o The research and development of treatment methods for sleep disorders
- o A host of treatment approaches to the specific problems of veteran subpopulations, including the readjustment counseling of Vietnam veterans

The partnership between psychology and the VA has been productive, for psychology, for the veterans, and for the nation.

The science and profession of psychology is the most advanced discipline devoted to understanding, explaining, predicting and modifying human behavior. And this is what OMB and OPM are proposing to dismantle and discard. With their program to reduce the number of psychologists in the VA and reduce the GS/GM 11-15 grade levels of psychologists in title 5, and, thus, turn these programs over to B.A. level technicians, the Administration has given a clear signal that it does not believe that the veterans of this country deserve the highest quality health care and treatment.

The need for psychological services is even more pressing in the VA than in the general population. Research has shown that the largest percentage of casualities during armed conflict -- approximately 30 percent -- are psychological and emotional. And, as we have learned from the experience of our Vietnam veterans, the effects of PTSD can surface many years after the precipitating experiences.

Who is going to provide mental health care to our veterans when the psychology programs are dismantled? B.A. level mental health technicians? I think not. To proceed with the recommended grade reductions in psychology will mean the curtailment of a relationship and of a series of programs that have been forty years in the making. This would be a monumental loss and betrayal of our veterans and our nation, and comes at a time when the VA anticipates an even greater demand for services from Vietnam veterans and from the increasing number of veterans age 65 and over.

Mr. Chairman, the effects of the Administration's efforts to reduce the health care programs of the VA, through staff reductions and grade de-escalations, have already taken their toll on the psychologist providers in our medical centers and outpatient clinics. From January 1, 1984, to January 1, 1985, DM&S lost 100 psychologist staff positions. This is a result of both the DRG resource allocation process and the grade de-escalation program. The percentage of reduction is much greater than the 2 percent specified by OMB, and will be much greater by the end of this year.

It is our hope that this Committee will work whole-heartedly to exempt the VA from further staff and grade reductions. Short of this, we feel that all direct health care service personnel in Title 5, as well as those in Title 38, should be exempted from further GS/GM 11-15 staff and grade level reductions.

The Association of VA Chief Psychologists and the American Psychological Association thank the Committee for their continued interest and efforts on behalf of our veterans, and for allowing me the opportunity to present our views. Thank you.

Veterans Administration
Department of Medicine & Surgery
Washington, D.C. 20420

CIRCULAR 10-84-199

November 20, 1984

TO: Regional Directors; Directors, All DM&S Field Activities

SUBJ: Improved Position Management: GS/GM 11-15 Positions

1. Purpose. The purpose of this circular is to supplement the provisions of VA Circular 00-84-33, dated September 13, 1984, by outlining Departmental guidelines and requirements in implementing the reduction of GS/GM 11-15 positions.

2. Background. The Office of Management and Budget (OMB) and Office of Personnel Management (OPM) have developed a program which will decrease the number of GS/GM 11-15 positions in the government by 2% in FY'85. Positions abolished at the GS/GM 11-15 level may be restructured and established at grades 1-10. To effect these reductions, OMB has withdrawn funds for these reductions from the Agency budget in Fiscal Year 1985. OPM will also monitor average grade and absolute reduction of GS/GM 11-15 employees.

3. Specific Targets Established. The Agency has established a single reduction goal for each Department and Staff Office. Targets were based upon the mathematical application of a 2% reduction in the number of GS/GM 11-15 positions as of March 31, 1984, plus projected additions for FY 1985. March 31, 1984, baseline figures reflect the 'on board' strength of full time permanent employees. (Vacant positions are not included.) Title 38, Federal Wage System, Canteen non-appropriated funds, temporary, part-time and intermittent positions are excluded from program controls. Grade 11-15 position ceilings have been established and will be monitored on a regional basis. A separate position ceiling has been established for Veterans Canteen Service which will be implemented and monitored by its Director.

4. Responsibility and Areas for Review. Regional Directors have the primary responsibility for ensuring that grade 11-15 position ceilings are established and met at facilities. Each Regional Director will develop a plan for implementing goals. It is intended that each region and facility have maximum flexibility in developing and carrying out programs and plans to meet grade 11-15 position ceilings. Medical Center Directors are responsible for achieving goals at the facility level. There are a variety of options available to you:

a. Evaluate all vacancies in the GS/GM 11-15 grade range to determine whether they can be eliminated or restructured at a lower grade level.

b. Closely monitor and manage career promotions. (Facilities must meet their local labor relations responsibilities.)

c. Review the organizational structure of each unit to determine if existing organizational patterns are appropriate.

THIS CIRCULAR EXPIRES ON NOVEMBER 19, 1985

d. Staff new programs in a manner that will tend to utilize fewer employees in the GS/GM 11-15 grade range.

e. Reorganize work where appropriate so that it can be accomplished with lower graded employees. For example, using technicians and program assistants where professional staff is not being utilized at their full skill level.

5. Evaluation. The PAID System will generate a report at the end of each quarter that will provide an analysis of the full-time permanent GS/GM 11-15 workforce at each facility. Regional Directors will use this report to monitor and evaluate regional progress in meeting program objectives.

John A Gronvall, M.D.
JOHN A. GRONVALL, M.D.
Deputy Chief Medical Director

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TESTIMONY

ON

REDUCTION OF GRADE 11-15 POSITIONS WITHIN THE VETERANS ADMINISTRATION

PRESENTED TO

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

BY:

Verdaine L. Holsteen, ACSW
Former Chief, Social Work Services
VA Medical Center, Topeka Kansas

ON BEHALF OF THE

NATIONAL ASSOCIATION OF SOCIAL WORKERS

Washington, D.C.

April 24, 1985

Chairman Montgomery and members of the Committee, my name is Verd L. Holsteen, I recently retired from the position of Chief, Social Work Services at the VA Medical Center, Topeka Kansas. I served as chief for over 20 years in two VA medical centers plus five years on the social work staff of a third center. I am pleased to have the opportunity to testify on behalf of the National Association of Social Workers (NASW) on the issue of reduction of grade 11-15 positions within the Veterans Administration.

NASW is the largest organization of professional social workers in the world with 100,000 members throughout the United States. A majority of our members work in health and mental health care. Within the VA system approximately 3,500 professionally trained social workers serve with skill and dedication in providing direct service quality care for veterans.

During the past three decades, Congress dramatically increased the medical and extended services to which veterans are entitled, thus requiring more direct services treatment staff, which includes, among other disciplines, capable and fully trained social workers.

The expansion of knowledge in the psycho-social area of human behavior has also required that those disciplines involved in treatment of psychopathology and psycho-social problems be fully knowledgeable when providing care to our veterans. This requires disciplined study at the graduate level as basic preparation for entry into those positions. In the case of social workers we are talking about master degree professionals with two years of study beyond the baccalaureate level at a graduate school accredited by the Council on Social Work Education.

I come to testify before this committee of my concern, and that of the National Association of Social Workers, of the dangers inherent in the Administration's requirement of a reduction of the number of staff in grades GS 11-15. As presently applied to the Veterans Administration, it exempts those in Title 38 (i.e., physicians, nurses, dentists) and causes the total amount of reduction ($8.1 million) to be met in the disciplines classified under Title 5, (i.e., psychologists, pharmacists, social workers, and a number of other "hands on" treatment staff). These employees at the GS 11-15 level constitute only 17.5% of all those staff members classified under Title 5, as noted by Rep. Montgomery in the Federal Record January 24, 1985.

If the goal of the Administration in this grade reduction effort is to reduce the number of mid-level management personnel as suggested by the Private Sector Survey on Cost Control, then to apply this concept to these Title 5 employees in the VA Medical Centers is seriously mis-applied, because they are mostly "hands on" treatment staff providing care to our veterans and their families. Their grade classification develops from completion of graduate level education; plus knowledge and skills as basic requirement for entrance into their profession. In addition, 1-3 years of supervised experience on the job is necessary to reach the journeyman level. Their grades do not come from managing a large number of other employees.

In the Veterans Administration 1983 Annual Report, "America is #1 Thanks to Our Veterans," p. 36, it is reported that social workers provided direct patient treatment services to 1,621,591 cases as an integral part of VA's multidisciplinary health care delivery system. These are direct patient care activities. Comprehensive social services throughout the health care continuum and integration with community agencies and resources resulted in the placement of 234,706 veterans in the full range of community/residential and continued care facilities. These placement activities are composed of direct work with the veteran, his family, and often with guardians, attorneys, and many local resources. The level of knowledge and skill at this juncture of care determines the success or failure of the whole treatment effort. In addition, social workers provide professional program direction of over 400 patient care programs in a wide range of inpatient and outpatient services. Social workers provide the linkage with local and state agencies, including area agency on aging offices for joint planning and delivery of services to veterans. In fact, without the knowledge, wisdom, and skills of social workers in VA Medical Centers the flow of treated patients, ready to move back to the community, would soon be slowed to a mere trickle. To reduce the number of social work staff in these grade levels comprising the majority of social workers in the VA is tantamount to saying we want to decrease the quality and volume of services to veterans.

Allow me to mention some of the dangers of this grade reduction effort as conceived for the Veterans Administration, Department of Medicine and Surgery.

- The need for quality in treatment by knowledgeable, skilled people to handle complicated medical/psycho-social problems quickly and efficiently will not continue to be met. The present more capable staff will look elsewhere for employment.

This is not unrealistic in a profession which is expanding, according to the Labor Department at the rate of 7% per year.

- A survey of approximately 3,500 veterans in a random sample at 25 VA health care facilities used selected psycho-social indicators to identify patients at risk, who, if not treated, are likely to suffer further medical/social disabilities; 43% were at risk in one or more indicators. At age 75 the percent at risk rose to 58%.

When we put this together with the aging number of WWII veterans, the figures become staggering. In 1985, there are over 5,000,000 age 65 and over. By 1995, there will be 9,000,000, many of them in very high age brackets with multiple illnesses and psycho-social disabilities. With diminished numbers of social work staff at the knowledgeable, skilled and experienced level, the medical centers will not be able to accomplish their Congressional mandate. From my experience at the service level, there is no excess of social work staff.

- VA may continue to be able to hire social workers immediately upon graduation from graduate school, but they will stay only 1-3 years to gain initial experience, then will move to other employment to advance. At this moment our personnel offices are alerting new social work hirees, that they may never be graded higher than the entrance grade of GS-9. This is demoralizing to young people beginning their working career; such policies can only result in loss of quality, efficiency, and public respect. No private organization could succeed with such a policy. Indeed, the Congress itself, would find it difficult to carry out its responsibilities if experienced legislators would not run for re-election because of stiffling conditions, and each 2 years brings mostly new members. There is something very unrealistic and unfair in expecting staff to improve service, advance their knowledge and skills, but deny any increase in financial rewards. Particularly so when one realizes that their regular job description requires knowledge about complicated medical/legal/social/psychological issues, and the skill to bring veterans to the highest possible level of personal functioning.

The following should be noted:

- The grade levels of VAMC health care personnel have been established on the basis of the incumbent's professional preparation and the level of patient care services provided. The vast majority of these positions have not been graded on the basis of administrative or supervisory responsibility. Rather, the present standards and grade levels recognize the professional preparation, competence, and skill required to provide the needed services.

- While each health care professional service has established the professional level at which services will be provided to patients, there is provision for hiring of practitioners at an entrance grade who do not possess the full range of experience and demonstrated clinical competence to provide service at a more senior professional level. Such entry level staff are hired with the full expectation and understanding that upon gaining the requisite experience and demonstration of full professional performance they will be promoted to the journeyman level and potentially to the senior practice level and assume responsibility for the full range of professional services provided by their discipline within the assigned program area.

- As providers of direct patient care services, psychologists and social workers constitute major professional providers of mental health and substance abuse services and provide professional staff of the Readjustment Counseling Service. In addition to the primary services of their respective disciplines, as mental health professionals they also provide mental health consultation and services across DM&S' bed services, ambulatory hospital care, and extended care programs.

Hospital Administration literature is continually concerned with bringing down costs. To do so, there is general agreement that the best way is to reduce the length of stay by one day for each patient. My point is that the reduction of one day's stay is clearly the difference between the functioning of a well educated, knowledgeable and skilled social worker and that of a beginning level worker. This is based on my own years of experience in providing social services to veterans and their families at the point of discharge. And remember, any psycho-social, extended care, financial, community adjustment, or family problems immediately involves a social worker in discharge planning. These complicated problems are never ameliorated without many personal interviews and contacts by the social worker, who must muster up all the knowledge, wisdom and skill he/she possesses during the process of discharge and extended care planning.

Reduction in the grade level of senior professional social workers responsible for the provision of patient care services in a VA Medical Center actually constitutes a decision to provide patient care services at a lower level than is currently provided. This is contrary to the best interests of our veterans. It would appear that health care professionals who provide direct services to patients were not and should not be the intended focus of government wide grade de-escalation. We therefore recommend that professional social workers, and other professional disciplines employed to provide services to veterans be excluded from the de-escalation requirement.

Statement of Hon. Elwood Hillis
at hearing of the Subcommittee on Oversight and Investigations
on Proposals for grade reductions for VA employees
April 24, 1985

Thank you, Mr. Chairman.

The subject of grades in the federal work force is not a new one. Over the years we have heard stories of "overgrading" "grade creep", overstaffing at the higher levels,"and a number of others. To attack this perceived problem, agencies have been directed to control all grades in such a way as to cause them to be lowered. Often a scientific approach to the problem has been lacking with all agencies being required to follow the same directive. As a result, the well-managed agencies are treated with the same broad brush that ought to be reserved for those not so well managed. This may be the situation in which the Veterans Administration finds itself at this very moment, particularly as regards the Department of Medicine and Surgery.

It is my view that there is some overgrading in government. But it is also my view that such a description does not fit the VA. I have reviewed the record and it seems clear to me that the VA has proven its case in this regard. Indeed that proof has been accepted--at least in part_by both OMB and the Office of Personnel Management. The latter office itself suggested that VA's reduction quota in grades GS-11 through GS-15 be only 1.5 percent as compared to a total government-wide quota of 2 percent. OMB, while apparently not following this lead, did accept and approve VA's appeal to totally exempt VA's Title 38 medical employees from any quota. However, Fiscal Year 1985 was still adversely affected and the successful appeal relates only to Fiscal Years 1986 through 1989.

The problem remaining is that related to the remainder of this fiscal year and to other than Title 38 employees in the out years. It is that problem to which we direct our attention this morning. We want to know how the VA is affected by the national attempt to reduce grades and save money. We want to know if some reductions can take place without a reduction in quality of medical care for veterans. We want to address morale problems, recruiting problems, and retention problems in VA's medical program. In short, we want the facts as seen by our witnesses. We do not want to see veterans' medical care suffer.

Mr. Chairman, I trust that VA has carefully approached this situation; I trust that our witnesses have done the same. When we have these problems we need ~~we need~~/ to have calm, deliberate consideration of them together with reasoned suggestions for their solving. I am confident that such consideration and suggestions will come out of these hearings.

Thank you, Mr. Chairman.

apta American Physical Therapy Association

April 24, 1985

The Honorable G.V. Montgomery
Chairman, Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

The American Physical Therapy Association (APTA) representing over 37,000 licensed physical therapists, physical therapist assistants and students of physical therapy welcomes this opportunity to submit the following statement for the record of the hearing before the Subcommittee on Oversight and Investigations held on April 24, 1985.

The APTA opposes application to the Veterans' Administration (VA) of the President's Private Sector Survey on Cost Control recommendation to reduce the number of grade 11-15 positions in government by 2% per year. From the perspective of providing physical therapy in the VA, implementation of this recommendation would further erode what already has been documented to be an unsatisfactory state of affairs with regard to the recruitment, retention and morale of physical therapists in the VA.

In responses to a situation characterized by up to a 30% vacancy rate for physical therapist positions in the VA, the Congress in 1983 enacted Public Law 98-160. Among other objectives, this legislation addressed serious problems in the VA's ability to recruit and retain physical therapists. The principal problem was found to be that significantly more attractive salaries and benefits were being offered to physical therapists in private sector settings. The VA was not able to compete. Public Law 98-160 was enacted as a means to establish the VA as an effective competitor in the job market.

Now, in the spring of 1985, the provisions of Title II of P.L. 98-160 are just beginning to be implemented. There is at least a mechanism wherein physical therapists can be offered positions in VA Medical Centers at salary rates better able to compete with those offered by the private sector. There is a mechanism being implemented wherein those physical therapists already employed at these VA Medical Centers may have their professional achievements recognized by the chance for upward mobility. Yet now, at the very same time, these physical therapists find themselves faced with the recommendation of the Grace Commission.

1111 North Fairfax Street Alexandria, Virginia 22314 (703) 684-APTA

Currently, within the VA there are only six physical therapist positions at grade 12 and there are only 100 at grade 11. If the recommendation of the Grace Commission were to be implemented, these numbers would become even less. If there are to be even fewer opportunities for upward mobility within the VA than exist now, before P.L. 98-160 has been implemented, what does this say in terms of recruitment, retention and morale? It clearly indicates that better career opportunities are to be pursued elsewhere.

If this recommendation of the Grace Commission is applied to the VA, the problems that were meant to be solved by the enactment of P.L. 98-160 will only become more troublesome. There is currently significant difficulty in recruiting for vacant physical therapist positions in the VA. The effectiveness of the remedies made available by P.L. 98-160 has yet to be seen, implementation is only now getting underway. Moreover, if the recommendation is applied to the VA, there will be significant difficulties posed for present employees of the VA, they will be denied promotion to the grades for which they are qualified and which they deserve.

In conclusion, the APTA urges that the recommendation to reduce the number of grade 11-15 positions in government by 2% per year not be applied to the VA. The result would be a serious undermining of recent efforts to improve the quality of veteran care and would be undertaken before these efforts have even been given the chance to prove themselves effective.

We welcome this opportunity to share our views with the Committee, and will be happy to provide you with any further information that you might find useful.

Sincerely,

R. Charles Harker

R. Charles Harker, Esq.
Director of Government Affairs

BLINDED VETERANS ASSOCIATION
1735 DeSALES STREET, NORTHWEST • WASHINGTON, D.C. 20036 • (202) 347-4010

STATEMENT OF NATIONAL PRESIDENT THOMAS H. MILLER
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATION
COMMITTEE ON VETERANS AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
April 24, 1985
(STATEMENT SUBMITTED FOR THE RECORD)

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I am very pleased to have the opportunity to submit these comments to you concerning proposals for grade reductions of VA employees.

The current debate concerning grade reductions for federal government employees was stimulated by the report and recommendations of the President's Private Sector Survey on Cost Control--more commonly known as the Grace Commission Report. The Commission attempted to compare the salary and grade structure of federal employees with those in the private sector. The Commission concluded that 39 per cent of all federal government employees fell into the middle management level of GS 11-15 rankings. The Grace Commission reported that 26 per cent of employees in the private sector fill positions categorized as being at middle management levels. The Commission recommended government wide reductions to change the nature of the federal workforce.

According to the VA, 27 per cent of its overall workforce now falls into the so-called middle management or GS 11-15 rankings. As part of an effort to reshape the VA workforce--that is, to reduce the number of GS 11-15's and to increase the proportion of GS 1-10's in the VA workforce, the agency intends to implement a grade level reduction plan. The VA would implement a two per cent cumulative grade reduction in each of the next four years.

The VA derives its hiring authority from Title 5 and Title 38. Title 38 employees (doctors, dentists, nurses, podiatrists, optometrists, and the Senior Executive Service) would be exempt from the grade reduction proposals. All reductions, then, would be made among Title 5 employees. It is our understanding that the reductions will be achieved through attrition. That is, once an employee leaves government service, the positions either could be dropped or the grade reduced.

According to the VA, 17.5 per cent of all Title 5 employees fall into the middle management level or are ranked GS 11-15.

Therefore, we must question the propriety of the VA's attempt to reduce the number of GS 11-15 employees in Title 5. The majority of people in the Department of Medicine and Surgery rated at GS 11-15 are direct patient care providers, not "so-called" management. People such as speech pathologists, social workers, physical therapists, psychologists, audiologists, pharmacists, medical and lab technicians are Title 5 employees. These positions should be exempted under this proposal as are Title 38 positions. The proportion of Title 5 GS 11-15 employees falls well below the government wide average and significantly below the VA agency-wide average. Even more significantly, it falls below the percentage cited in the Grace Report for the private sector. Since the comparison between Title 5 employees and the federal and private sector standard is such a favorable one, why make any reductions at all?

The BVA is deeply concerned about this plan because of its potential impact on rehabilitation and outreach services for blinded veterans and its potential impact on the general delivery of medical care and other services within the VA.

Specifically, we are most concerned about the impact of this proposal on the VA's Department of Medicine and Surgery. What other agency of the government administers a complex nationwide system of hospitals and health care services?

This is what makes the VA a unique government agency. This is part of the delicate balance of which we speak. Most employees of the Department of Medicine and Surgery are not Title 38 employees. Many who are direct care service providers in the Department of Medicine and Surgery are Title 5 employees and, thus, fall into the category potentially of being downgraded--or even worse, their positions eliminated once the incumbent leaves.

According to the VA, 31 per cent of VA employees in the Department of Medicine and Surgery ranked between GS 11 and 15 are Title 5 employees. Sixty-eight per cent of this group (in excess of 10,000 employees) are direct health care providers--professionals who provide direct patient services to the veterans population. These 10,000 health care providers compose approximately 20 per cent of the overall Department of Surgery workforce providing direct patient care services. According to the VA, this proposal will mean a reduction of more than 400 employees in the Department of Medicine and Surgery in 1985. The VA can ill afford reductions in such positions. Such reductions which would significantly alter the quality and continuity of VA medical staff will have a negative impact on the delivery of quality health care services to our nation's veterans--at a time in our history when demand is expected to increase substantially.

More specifically, the BVA is concerned with the availability and the quality of direct services in the VA related to blindness.

Those people in the VA working in Blind Rehabilitation and who deliver services specifically to blinded veterans are Title 5 employees. Chiefs of Blind Rehabilitation Centers and Clinics and other employees of the centers and clinics could be affected as well as Blind Rehabilitation Regional Consultants and Visual Impairment Service Team Coordinators. Although these employees are Civil Service Employees, they also have a specialty which cannot be easily replaced. In fact, the BVA has led the battle to upgrade many of these positions because they require special skills and abilities.

There are many positions in the VA which require direct contact and care with blinded veterans which should be upgraded. Proposals from the VA to reduce grades for certain positions will virtually make it impossible to upgrade positions which currently are not given the recognition which they deserve in the civil service system.

So, the proposal also will have the impact of maintaining inefficiencies in the system--again a situation which ultimately comes full circle and impacts on the direct care provided to the veteran. If the VA cannot keep employees or if its entry level rankings are so low for a position that it cannot attract quality professionals, then, it will be the veteran, himself, who will suffer the most. People will do one or two years service and then leave for more attractive compensation outside the VA.

Blind Rehabilitation Services are not the only specialized area which could impact on services for the blind. Coordinators of the VA's Visual Impairment Service (VIS) Teams also could be affected. The BVA has been meeting with officials in the Department of Medicine and Surgery for years to increase the number of VIS Team Coordinators to respond to the needs of blinded veterans which are now going unmet. The Coordinator is the key element of the VIS Team. Currently, there are 37 central-office funded Coordinators for 81 VIS Teams. The quality of the person holding that position has a direct impact on the services delivered by the VIS Team to individual blinded veterans. Although technically not a part of the VA's Blind Rehabilitation Service, it is the VIS Team Coordinator who provides entrance for the blinded veteran into blind rehabilitation programs. So, the VIS Team Coordinator is a keystone both for the VIS program and Blind Rehabilitation. Also, it is the VIS Team Coordinator who provides the ongoing consistent treatment for blinded veterans on a day to day basis.

We must question the overall validity of the Grace Commission's report with regard to many other items relating to veterans benefits and services. The Grace Commission report has proved to have little credibility, if any. Also, the nature of government work and service does not lend itself to a valid comparison with employment in private industry. The government's mission in providing and administering services for citizens, i.e. promoting the general welfare, is sharply different from private industry's mission to sell goods and services to the American people.

Historically, the government has had difficulty attracting quality employees because employment conditions and financial benefits have been limited. This is a factor which is very difficult to figure into any comparison of employees as attempted by the Grace Commission.

The VA must be careful not to reduce services for veterans as a result of reducing personnel or downgrading positions. A delicate balance must be struck between levels of employment and service delivery. This balance is very fragile. Many veterans now complain of the service they receive from the VA--especially with regard to processing veterans benefits claims and the delivery of health care. With further reductions in employees or downgrading of employees, services could be delayed even longer. The end result is financial hardship for the veteran, himself, or in the case of medical care--delayed medical services.

Generally, the danger of the proposals is that they are not more specifically targeted. Other than Title 38 employees, the proposals could affect any VA employee. Furthermore, the VA seems to argue that its direct health care providers are protected because Title 38 employees are exempt. Yet, as we have indicated, today, direct providers specializing in the needs of blinded veterans are not protected from the proposals because they are Title 5 employees. Other Title 5 employees, as well, who are involved in delivering general health care services to the overall veterans population, would be affected.

The grade reduction proposals, however, will also provide the VA with the discretion to make significant changes in its workforce without congressional approval or oversight. If there are positions which the VA has had difficulty closing, for whatever reason, the grade reduction proposals make it easier to accomplish such closings under the guise of economy and efficiency. In other words, the grade reductions proposals could help to implement substantial policy changes without debate in Congress or even the prior knowledge of veterans organizations.

These proposals have the potential to drastically change the composition of the VA workforce. They could also give the VA the opportunity to keep positions unfilled without having to officially reduce the workforce. Congress should have the authority through the budget process to debate changes in the composition of the VA's workforce. This proposal short circuits that process.

Veterans have been struggling for years to maintain the quality of VA health care services. Implementation of these grade reductions proposals will irreparably damage this system. The VA medical system already is being hit hard by budget cuts and budget freezes. How much more can it be asked to withstand? If we are to properly care for our nation's veterans, we must progessively plan for the future. This proposal does not offer a progressive plan--but takes several steps backward and poses significant hazards to all veterans. The VA must not break its trust with the nation's veterans. This trust is based on the timely and efficient delivery of services. This proposal does not contribute to the VA's mission and it should be dismissed.

We would strongly urge this subcommittee to take action on these proposals to safeguard the VA workforce and the delivery of benefits and services to all this nation's veterans.

I will be very happy to respond to any questions which you might want to submit to me in writing.

Thomas H Miller

Thomas H. Miller
National President and
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